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FINANCE
Foreign bankers fear US reforms
Page 6

World News

EC interior ministers close to deal on frontiers

European Community interior ministers were close last night to agreeing a Convention on External Frontiers, the precondition for the free movement of people within the Community from 1993.

But after the UK was reassured that the agreement would not force countries to dismantle internal border controls, Spain held up the accord by insisting on a special mention of its dispute with Britain over Gibraltar.
Page 18

Nissan UK raided
Officials of Britain's Inland Revenue raided the offices of car distributor Nissan UK and the homes of present and former executives. They were probing suspected tax offences involving serious fraud and hundreds of millions of pounds. Page 18

Iraq 'arms breach'
UN security council members are considering their response to what they see as a serious Iraqi breach of Gulf war ceasefire terms. They have been told that Iraq twice refused UN inspectors access to a suspected nuclear plant near Baghdad. When finally admitted, the inspectors found objects they wanted to check had been removed. Page 18

Kuwaiti sentences
Kuwait has commuted all death sentences imposed on suspected collaborators with Iraq's occupation force. The 29 men and women will be jailed for life instead. Page 18; Delay in lifting foreign exchange controls, Page 4

Walesa's showdown
Polish president Lech Walesa, at loggerheads with the Communist-dominated parliament, imposed a second veto on a controversial draft election law.

Lithuania cut off
Communications between separatist Lithuania and Moscow appeared to be cut off after Soviet commandos reportedly seized the central telephone exchange in Vilnius. The Interior Ministry in Moscow denied knowledge of any attack.

Soviets slow withdrawal
The Soviet Union said it might slow down the withdrawal of more than 300,000 of its troops from eastern Germany because it lacks enough housing for returning soldiers.
Page 2

Australian media probe
Australia is to hold an inquiry into the ownership of the country's newspapers and magazines to see if competition is being stifled.

Lebanon army move
The Lebanese government said it would send troops to the south of the country despite objections from the PLO and Lebanese guerrillas with bases there.

Drugs bonfire
Thai police ceremonially burned $700m-worth of heroin seized from local and foreign traffickers in the past three years.

Romanian press probe
Romanian prosecutors have begun investigating "nationalist and chauvinistic" articles after a wave of anti-Semitic outbursts in several publications.

Natural causes
Zachary Taylor, a US president who died in 1850, was not poisoned, an autopsy showed. Taylor's body was exhumed to test theories that he was poisoned with arsenic.

Caviar crisis
Floods caused by the rising Caspian Sea threaten more than half Iran's caviar exports. The sea has risen 40cm in two months.

Business Summary

US banking committee approves reforms

The US House of Representatives banking committee has approved reforms allowing banks to set up nationwide branch networks and permit the ownership of banks by commercial businesses. Opponents of the reforms fear that foreign, especially Japanese, industrial groups would be able to buy into the American banking system. Page 20

INTERNATIONAL Business Machines and Apple Computer have indefinitely postponed elaborate plans to announce a technology alliance that was to have drawn together two of the biggest rivals in the personal computer market.
Page 21

AMSTRAD, UK-based electronics company, is to make an exceptional £20m ($32.6m) write-down against unsold stocks of its PC2000 personal computers. Page 21; Lex, Page 20

IMPERIAL CHEMICAL INDUSTRIES agreed to sell for £90m ($146m) its UK and Kenyan soda ash businesses, which were among its core operations when the company was formed by the merger of four companies in 1926. Page 21

EQUITIES: Shares in London and Paris hit their lowest closing level for three months after German inflation data sharpened fears that the Bundesbank would raise interest rates on Thursday and further delay sterling interest rate cuts. In London the FT-SE 100 index ended 23.9 down at 2,437.3 and in Paris the CAC-40 index finished 15.01 points down at 1,760.52. Germany's 30-share DAX index closed 19.38 points lower at 1,672.17. London stocks, Page 33; World stocks, Page 44

NIGERIA may have already spent more than half the windfall it received from higher oil export earnings during the Gulf crisis. Page 20

EUROPEAN Community: A cereal support price cut of 35 per cent is believed to be the central part of a revamped agricultural reform plan emerging in Brussels. Page 32

KUWAIT postponed the lifting of foreign exchange restrictions until August 3, but announced that all banking procedures would return to their pre-war status by that date. Page 4

SIEMENS, German electrical and electronics group, won a DM2.6bn ($1.4bn) order for a natural-gas fired power station in Iran. Page 6

T BOONE Pickens, the Texan corporate raider, off-loaded a 26.4 per cent stake in Koito Manufacturing, the Japanese car parts maker with links to Toyota Motor. Page 23

NOVA Corp of Alberta, Canada has sunk into the red and has warned that it will cut its dividend if plans to separate its pipeline and chemical businesses fail to come to fruition. Nova expects to post a second-quarter loss of about C$20m ($17.50). Page 23

L'OREAL: Jacques Correze, chairman of Cosmair, the US agency of the French cosmetics company, has resigned after allegations that he collaborated with the Nazis during the Second World War.

SEVILLANA, Spanish electrical producer, and Endesa, the government-controlled utility which is seeking to take it over, are face a show-down over plans to pare Spain's fragmented electricity sector from the present eight leading players into at most three companies. Page 22

EMBRAER: The directors of Brazil's state-owned aircraft manufacturer, resigned after the government failed to deliver final authorisation for a $600m financial package to save the company. Page 23

'Substantial help' needed to fend off Japanese competition

Carmakers in EC aid plea

By William Dawkins in Paris

EUROPE'S leading carmakers say they will need substantial financial help to pay for tens of thousands of job losses needed to make the industry competitive against Japanese producers.

Acea, the new industry lobby group of 15 European vehicle groups excluding Peugeot of France, has warned Mr Martin Bangemann, the EC industry commissioner, that current Community assistance for research and development and training is tiny by comparison with the industry's restructuring needs.

However, any aid on the large scale that the companies envisage would almost certainly attract complaints from non-European carmakers and from harder hit industries.

According to the European Commission's recently agreed bargaining position with Tokyo, Japanese cars would be allowed up to 15 per cent of the overall EC market after the disappearance of national curbs from 1993. They would then get free access from 1998 or 1999.

"The seven or eight years which remain will not allow us to resolve, without financial assistance, our fundamental problem, which is thet the European car industry suffers from a workforce that is too old and insufficiently trained," said Mr Raymond Lévy, president of Acea and chairman of Renault, the French state-owned carmaker.

"Restructuring will be necessary and will take place. But a greater or smaller amount of blood will flow depending on the amount of aid we obtain."

Brussels has asked Acea for more details on the size, cost, location and purpose of the job cuts before considering a response. Acea will try to produce a more detailed report of its needs by September, a senior Commission official said.

"We are aware that a major restructuring will be necessary. But there are no detailed discussions at this stage. It is np to the industry to decide how to tackle the challenge," the official added.

The carmakers are not yet decided on whether they think such assistance should coma from the EC budget or from their own governments.

Neither the EC nor the carmakers' group is prepared to give firm estimates of future job losses at this stage, but Mr Lévy said "tens of thousands" of jobs are under threat at Renault alone, and that estimates of FFr2bn ($320m) for the cost were too small. A total industry-wide cost of the order of Ecu10bn ($11.4bn) has been suggested in unofficial discussions in Brussels.

Peugeot, which split from other EC carmakers last November because of a row over the extent to which Japanese competition should be curbed, pointed out that fewer job losses would be needed if the rest of the industry followed the tough line of Mr Jacques Calvet, its chairman. "We don't think a large sum of money should let us forget s bad agreement with Japan," said a spokesman. Mr Lévy raised the problem at a lunch with Mr Bangemann last month, which was also attended by senior executives from Ford of Europe, Fiat and Daimler-Benz.

The Renault chairman stressed that the Acea members were not trying to impede the inevitable arrival of free Jspanese competition. "We should not be afraid of Japanese cars, but we should be afraid of Japanese capital and the efficiency of Japanese workers," he said.

Analysts believe that all EC carmakers, except for those in Germany, could on everage handle a 15 per cent rise in outpnt, though Fiat's overcapacity could be more than that.

EC external controls, Page 20; HDTV draft standard, Page 2

Tanks sent to Croatia after violence flares

By Laura Silber in Zagreb

THE YUGOSLAV federal authorities deployed tanks in the western republic of Croatia yesterday when four people were killed less than 24 hours after the republic declared independence.

Western governments, which refused to recognise the declarations made on Tuesday night by Slovenia and Croatia, appealed to the federal authorities not to use force to change the country's internal borders.

The violence erupted in Glina, 80km south of Zagreb, the capital of Croatia, after Serbs tried to take control over the local police station. The four killed included two Croats and one Serb, according to a Croat official.

Ethnic Serbs, who make up 11 per cent of the republic's 4.5m population, oppose Croatia's declaration.

The federal government, which described the moves as "illegal", made no fresh moves to reconvene talks among the six republics to discuss the future of the country in the light of the declarations of independence.

But among western governments, there appears to be growing concern about the possibility of more violence.

A statement issued by the German Foreign Ministry said any changes would be "completely unacceptable."

Mr Hans-Dietrich Genscher, the foreign minister, urged the Yugoslav government to consult with the European Community and its other neighbours before responding to the two republics' declaration of independence.

The US State Department repeated pleas for unity and negotiation by Mr James Baker, the US secretary of state during his official visit to Yugoslavia last week.

The governments of Sweden, Switzerland and Poland pointed to what they called the illegality of the independence declarations.

These, "do not in our view fulfil the relevant criteria of international law", Mr Sten Andersson, the Swedish foreign minister said yesterday.

Germany, Norway and Luxembourg warned against any recourse to arms to settle Yugoslavia's internal problems.

Ante Markovic interview on the role of the federal army, Yugoslavia survey, Section III; Balkan End-Game, Page 24

A Slovene guard patrols in front of a new sign at the Yugoslav border with Austria

Soviet Communist party in break with hardline era

By John Lloyd in Moscow

A NEW programme for the Soviet Communist party, which abandons most of its historic principles, threatens to provoke a split into hardline and social democratic factions.

The document marks a break with the present programme, adopted at the 27th party congress in 1986, which is couched in revolutionary language. The draft stresses the need to adopt a social democratic position, to work within a parliamentary democracy and to encourage the development of the market and a mixed economy.

It harshly criticises the Stalin period, and characterises the period between the 1950s and the mid-1980s as one of lost opportunities, of social and economic decline and propagandist claims.

The plan is near completion in the central committee and is expected to be published within weeks.

Members of the reform wing of the party believe the document will split the communists into hardline and social democratic-oriented factions. The latter could be headed by Mr Mikhail Gorbachev, Soviet president and party general secretary, who has over the past two months allied himself to the radicals and democrats.

Mr Gorbachev is said to have told party hardliners, who have bitterly criticised the draft programme, that it will not incorporate their ideas and that they must choose to support it or leave the party.

The formation of at least one new, mass party, taking in senior Communists, is actively being discussed.

Mr Stanislav Shatalin, the former economic adviser to the president and author with Mr Grigory Yavlinsky of the 500-day programme for economic reform, said in Washington yesterday that a new democratic party would be announced within days.

Mr Shatalin said, beside himself, the new party would include Mr Gavril Popov, the mayor of Moscow, Mr Anatoly Sobchak, the mayor of Leningrad and possibly Mr Eduard Shevardnadze, the former foreign minister.

Mr Georgy Shakhnazarov, a presidential aide, said in an interview that the Communist party must "completely restructure itself".

Market-place politics, Page 2

Fears on US claims pull Lloyd's into £510m loss

By Richard Lapper and Richard Gourlay in London

THE DECISION by Lloyd's of London underwriters to increase their reserves against future claims from US pollution and asbestos awards contributed decisively to the insurance market's first overall loss for more than 20 years.

Lloyd's yesterday reported an overall loss of £509.7m ($830m) for the 1988 underwriting year, and signalled that worse was to come.

Mr David Coleridge, Lloyd's chairman, said 1988 had been a "very poor year" and would be followed by at least one and possibly two lossmaking years. Results for 1989, widely expected to produce a loss of over £1bn, will be announced next June.

Mr Coleridge said underwriters had increased their reserves by more than £500m, offsetting a small overall profit of £68m on other business. As a market, Lloyd's last reported a loss for 1967.

Many of the US claims will stem from policies written more than 30 years ago when it was impossible to imagine the scale of losses resulting from legal action over asbestosis and pollution.

Sixty per cent of Lloyd's Names – the private individuals whose personal wealth backs underwriting on the market – either lost money or barely broke even in 1988, Lloyd's annual general meeting was told yesterday.

An average Name committing about £350,000 to the market will hava lost about £16,000.

However, many Names suffered much heavier losses as a result of their participation in syndicates – groups of Names – hit by claims arising from the Piper Alpha oil rig disaster and other heavy losses.

Mr Coleridge said he was "desperately sorry" for the plight of those Names in difficulties but denied that the losses had resulted from "incompetence".

At the annual meeting held in the Underwriting Room of Lloyd's, most insurance business ground to a halt as Names gathered around the Lutine bell, which is rung to mark both good and bad news, to hear Mr Coleridge answer four hours of questions.

By the time the Names left, they had heard little to reassure them that the corporation would be able to help with losses next year and some were angry that Lloyd's showed so little contrition.

Mr Roger Atkin, a director of an insurance broker, said many Names had joined Lloyd's as a result of poor advice and were now like "lambs to the slaughter" as they queued to enter the meeting.

Last night, however, the Association of Lloyd's Members, which represents the interests of 9,000 Names, said the "unbearable" losses suffered by some Names were "unacceptable".

Mr Anthony Haynes, the association's chairman said: "Lloyd's must find a means of eliminating its sub-standard underwriters and agents."

Marine underwriters bear brunt of losses, Page 8

CONTENTS

Indian PM gets honeymoon period to reform economy

P.V. Narasimha Rao, the new Indian prime minister, has more leeway to reform the economy through spending cuts and tax increases than any other recent leader. But the honeymoon is likely to be short-lived. Page 4

MARKETS

STERLING
New York lunchtime: $1.6387
London: $1.6390 (1.6275)
DM2.9275 (2.9275)
FFr9.935 (9.935)
SFr2.53 (2.5275)
Y226.75 (226)
£ Index 89.7 (89.6)

GOLD
New York: Comex Aug $367.9 (368.7)
London: $366.5 (364.2)

N SEA OIL (Argus)
Brent Aug $18.35 (18.3)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime: DM1.7868
FFr6.0625
SFr1.545
Y138.42
London: DM1.785 (1.7995)
FFr6.05 (6.105)
SFr1.5435 (1.553)
Y138.3 (138.8)
$ Index 67.5 (67.8)
Tokyo close: Y138.53

US lunchtime rates
Fed Funds 5⅞%
3-mo Treasury Bills: yield: 5.71%
Long Bond: 96⅞
yield: 8.49%

STOCK INDICES
FT-SE 100: 2,437.3 (−23.9)
FT Ordinary: 1,901.5 (−20.1)
FT-A All-Share: 1,170.72 (−1.0%)
New York: DJ Ind. Av. 2,910.55 (+0.44)
S&P Comp 371.36 (+0.71)
Tokyo: Nikkei 23,786.38 (−141.06)

LONDON MONEY
3-month interbank: 11⅛ (11⅛)
Liffe long gilt future: Sep 89⅛ (89⅛)

Brussels tables draft on HDTV standard

By David Buchan in Brussels

THE European Commission yesterday tabled its long-promised draft directive which, if approved by EC governments, would eventually give Europe a single technical standard, known as HD-MAC, for high-definition television (HDTV).

Mr Filippo Maria Pandolfi, the EC technology commissioner, said he hoped the measure could pass the Council of Ministers and the European parliament this year, to take effect next year.

He forecast that a parallel memorandum of understanding would be ready for signing in early August, binding broadcasters and equipment makers to promote an intermediary standard, D2-MAC, for use until HD-MAC is widely available.

A key feature of the proposed directive is that current users of the Pal standard, such as British Sky Broadcasting (BSB), could continue indefinitely to broadcast on that standard. But from the start of 1993 all TV sets sold in the EC would have to be fitted with D2-MAC decoders.

The Commission is proposing to spend Ecu500m ($570m) over five years to promote TV productions in D2-MAC, to which Philips of the Netherlands and Thomson of France are already heavily committed. Brussels earlier this month authorised French government aid worth Ecu366m to Thomson to help it with HDTV.

But Britain and EC states without an industrial stake in HDTV – such as Spain, Ireland, Denmark, and Luxembourg (from whose Astra satellite BSB broadcasts) – believe the Commission is being too restrictive in imposing its new regulations.

Germany warned over Soviet troop withdrawal

By David Marsh in Bonn

THE SOVIET army has threatened to slow down the withdrawal of troops from eastern Germany because of delays in a Bonn government-financed construction programme of new homes for soldiers in the Soviet Union.

Construction of 36,000 homes for returning soldiers, financed under DM7.8bn (£2.65bn) worth of grants agreed by Bonn last year, has been repeatedly delayed by wrangling over contracts. In view of Bonn's wish to see the remaining 350,000 Red Army troops leave by the end of 1994, the problems endangering the pull-out will be high on the agenda when Chancellor Helmut Kohl visits President Mikhail Gorbachev in Kiev on July 5.

General Matvey Burlakov, commander of the Soviet forces in east Germany, recently wrote to the German government spelling out that the troop pullouts might be delayed from next month. His warning follows hard on the heels of Soviet requests for substantially more cash to facilitate the withdrawals. Moscow has put a value of DM20bn on the value of military assets it will be leaving behind in east Germany – a figure which Bonn rejects as laughably high.

Mr Jürgen Möllemann, the German economics minister, meanwhile, yesterday played down hopes of rapid advance in talks with the Soviet Union about aiding the country's oil and gas industry.

Contacts between German companies and Soviet organisations on improving exploitation of energy resources have been continuing for several months. Speaking before two days of talks in Bonn starting today of the German-Soviet Economic Commission, Mr Möllemann said that uncertainties about the division of responsibilities between Moscow and the republics were still holding up progress.

Mr Möllemann said that he hoped for firm news soon on a further DM6bn of orders the Soviet Union has pledged to place with east German enterprises to ease economic problems in the eastern part of Germany.

Mr Möllemann said that total Soviet debt to German creditors now stood at around DM40bn – the first time that a minister has given an such figure. Linked to a DM5bn worth of new business for east German firms from Soviet companies, statistics published yesterday for overall new manufacturing orders for east Germany showed a 29.5 per cent increase in March compared with February.

Communists prepare to descend into the political market-place

By John Lloyd in Moscow

Soviet party's draft programme combines high idealism for future and worry about the present

THE DRAFT of the new programme for the Soviet Communist Party is at once an apology for past crimes, a criticism of the political failings of perestroika, and an insistence that "humanitarian democratic *socialism" is still relevant in* the modern age.

The 50-page document, drawn up by a communist party seeking to position itself in a political and economic market place, is nearing the final stages of its preparation.

Its language veers between high idealism for the future and worry about the present.

It says that "a serious threat is created by those who stubbornly adhere to the past and who cannot agree to perestroika in principle and to democratic changes and changes in thinking.... seeing in all this a threat to socialism".

It also alludes darkly to "possible ettempts at a roll back" of the changes made.

The programme vehemently seeks to consign much of the past 73 years of the party's monopoly power to the dustbin. It mocks at the slogans of *the 30s, when socialism* was held to be "largely built"; of the 50s, when it was held to "have won completely"; of the 60s and 70s, when it was "being perfected" and of the late 70s and early 80s, when it was said to be "mature developed socialism".

A lengthy passage is devoted to the crimes of Stalin, mostly aimed at showing that he and his clique gutted the party of independent existence and set up a dictatorship in its name. But, "in spite of this, the party went on living and fighting" – played a decisive role in the last war and was able, at the 20th party congress, to denounce Stalinist crimes.

It was not able, however, to confront the past decisively until 1985, when Mr Mikhail Gorbachev became its general secretary and perestroika became its watchword. The party *has taken this up as* a "vast historical period during which the administrative command system is being replaced by new structures which would bring to life the principles of humanitarian democratic socialism which is able to use all the achievements of modern civilisation in the interests of *man and his development*".

On the other hand, the draft does not spare the party general secretary's feelings. In a terse passage, it talks of destabilisation of the economy and the high degree of its militarisation, as well as ecological catastrophe and ethnic strife.

It condemns "blunders and miscalculations", "compromises and hesitations caused by the desire to avoid harsh decisions" and a tendency "to postpone unpopular choices".

Capitalism, admits the draft a little sorrowfully, has become entrenched as a world force, and has now produced a system of a mixed economy in which the market functions but is constrained by social mechanisms. In many cases these are the result of the struggles of socialists and communists against capitalism.

The programme saye that *the communist party favours a* "rapid but orderly transition to the market" and wants to help construct "the model of an open economy", with a convertible rouble and a "multiplicity of forms of ownership". However, it says all this must be subject to social control, and that the world market is presently increasing the gap between the rich and the poor.

It is even more enthusiastic in its determination to embrace democracy and pluralism.

"History," it says, "is no longer a continuous process of building socialism." Since that is recognised to be the case, it says it will co-operate with other political movements, both those which agree with it and those which do not. It will reconcile itself to being a political opposition in those republics (such as the Baltics and Russia) where non-communist groups are in control. "The communist party will strive for leading positions," it says," but only by democratic means."

This document certainly marks the end of an awful era. Whether the party can avoid the fate of other communist parties which have ruled by force *and* now *seek to* be elected by choice is e more open question.

Mr Yeltsin addressing the Russian parliament yesterday

Soviet republics voice reservations about draft treaty

By John Lloyd in Moscow

THE leaders of the two largest Soviet republics, Russia and Ukraine, yesterday expressed reservations ebout the draft union treaty, which they and *seven other republics initialled* earlier this month with President Mikhail Gorbachev.

The draft is now being considered by the parliaments of the republics and Mr Gorbachev has said he hopes it will be signed next month – a date which looks increasingly unrealistic.

Mr Boris Yeltsin told the Russian parliament yesterday, in his first speech since his election as president, that five points were still in dispute. These included taxation, the division of powers and the rights of autonomous republics to sign the treaty, an especially tricky question for Russia, with 16 autonomous republics within its territory.

He said that in his recent trip to the US, he had accepted that foreign governments would deal with the Soviet Union on strategic questions.

Mr Leonid Kravchuk, president of the Ukraine, said in an interview in the central daily Trud that the basic problem of the draft treaty was the proposed division of powers between the union and the republics. The draft treaty, which cedes substantial powers to the republics, blurs the nature of these powers by making them jointly exercised.

Soviet commandos yesterday seized the central telephone and telegraph exchange in the capital of Lithuania, Vilnius, a spokesman for the rebel republic's mission in Moscow said, Reuter reports from Moscow. Mr Llonginas Vasilauskas, press secretary for the mission, said elite "black beret" troops had cut Vilnius off from Moscow.

"There cannot be such a thing as a joint authority of the republics with the centre," he said. "On the basis of which legislation could such authority be carried out? There is union legislation and there is the legislation of the republics which create the union. There is no such legislation which was accepted jointly by the union and the republics and there is no mechanism for carrying it out. So we cannot act on this principle."

So far, only the supreme soviet of the central Asian republic of Kazakhstan has agreed to sign the union treaty, with reservations on tax, joint powers between the centre and the republics and voting rights in the new Supreme Soviet (parliament) of the Union.

However, both Mr Yeltsin and Mr Kravchuk have committed themselves to signing the treaty once the problems have been ironed out.

Ukrainians set their sights on a Polish revolution

SPORTING RED and white "Solidarity" pins and borrowing their statutes from the Polish trade union, the delegates who gathered in Kiev last weekend to form the first all-Ukrainian workers' organisation hope their movement will be the muscle behind the kind of political revolution which has already *overtaken* Poland.

More than 300 workers from 23 of the 25 *oblasts* (provinces) in the Ukraine, the second-largest Soviet republic, pledged to call a general strike and topple the communist government if President Leonid Kravchuk breaks public promises and signs a new union treaty with Moscow this summer.

Ukrainian workers have already shown they are a force to be reckoned with; three months ago striking miners included sovereignty among their demands, though workers, particularly in the east Ukrainian industrial heartland, have traditionally been indifferent to nationalist issues.

The emergence of the All-Ukrainian Union of Workers' Solidarity Committees, as the new group is called, may be a sign that the Don River basin *(Donbas) mining and industrial* area is beginning to stir to the song of Ukrainian nationalism. Until now this has been sounded loudest in the radical western provinces.

Chrystia Freeland explains why workers in Kiev are looking to Solidarity's example

Mr Oleksandr Ivashchenko, the Donbas miner elected head of the new organisation, said: "Our chief aim is the political and economic independence of the Ukrainian state. We must devote all of our energy to achieving this. Otherwise our children will never forgive us."

A group of miners from the Donbas representing the Ukrainian branch of the Independent Miners Union (IMU), which many feared would be opposed to an all-Ukrainian organisation, echoed Mr Ivashchenko'a sentiments. Mr Vladimir Frolov, a member from Donetsk, capital of the Donbas, said: "I am a Russian, but I am for an independent Ukraine."

The congress adopted a series of pointed resolutions calling for an immediate dissolution of parliament, no signing of the union treaty until the Ukrainian constitution is ratified, and meetings with the Ukrainian president and prime minister.

Mr Bogdan Borusewicz, one of the founders of Solidarity, compared the atmosphere in Kiev with Solidarity's early days in Gdansk. But the Ukrainian union differs from its Polish counterpart in that the cream of the Polish intelligentsia served as Solidarity's political advisers, while the Ukrainian group relies on the opposition'e radical fringe.

Workers prefer the anti-communist stance of fiery leaders like Mr Stepan Khmara, a deputy to the Ukrainian parliament who became a national hero when he was jailed last autumn on trumped-up assault charges, to the moderate platforms of mainstream opposition parties willing to co-operate with the ruling communists.

Watchdog criticises French telecom waste

By William Dawkins in Paris

THE French government came under fire yesterday from the Cour des Comptes, the official accounting watchdog, for financial waste in state-owned telecommunications and electronics industries.

A costly and unsuccessful campaign to promote French electronics in the US, the poor performance of a plan to boost the use of cable television, inadequate controls in subsidiaries of Thomson-CSF, the publicly controlled defence electronics group, and France Télécom's slowness in chasing overdue telephone bills are among a list of examples of public financial waste given in the watchdog's annual report.

The government rarely follows the Cour des Comptes' advice, but one of its criticisms could embarrass prime minister Edith Cresson's special adviser, Mr Abel Farnoux. In 1984 he launched and directed F-Tec, the state controlled group which failed to promote French electronic products in the US.

The group received FFr65m ($10.63m) of state cash over the years but had only FFr10m of sales and was closed in 1988, the report says.

The court partly blames this failure on inadequate investment in F-Tec, but also points out that the project never had support of the French electronics industry. There is no chance of recovering the investment.

● George Graham adds: France's unemployment line lengthened by 52,200 in May to reach 2.69m after seasonal adjustments, taking the country'e unemployment rate up to 9.5 per cent from 9.4 per cent in April. Most economic forecasters expect the jobless rate to continue to climb in the second half of this year and in 1992.

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EUROPEAN NEWS

WEU looks for position in Europe's line of defence

By Robert Mauthner, Diplomatic Editor

NINE west European countries meet in Luxembourg today to discuss plans to give Europe a more cohesive defence role without, at the same time, undermining their association with the US within Nato.

However, ministers from the Western European Union – Britain, France, West Germany, Italy, Belgium, the Netherlands, Luxembourg, Spain and Portugal – can do little more than have a preliminary exchange of views on the eve of a 12-nation European Community summit, at which the creation of a common foreign and defence policy is high on the agenda.

Until the EC countries, most of whom are also members of the WEU, have decided among themselves what form to give their enhanced European defence identity, no fundamental decisions can be taken within the WEU.

However, Mr Willem van Eekelen, WEU secretary-general, believes the ministers will be able to take several practical measures in line with his proposals that union should act as a bridge between the EC and Nato.

There is no question at the moment of going as far as the creation of a WEU rapid reaction force within Nato, which could be used, if necessary, to deal with crises outside the Nato area.

Such a step has been at least partially pre-empted by Nato's own decision to set up such a force – much to the annoyance of France, which sees it as enhancing the role of Nato at the expense of a genuine European defence identity.

Among the practical steps which the ministers will be asked to approve is a French proposal for the creation of a permanent planning unit, with the objective of foreseeing how the WEU countries could co-ordinate their military efforts to meet future crises such as the recent conflict with Iraq.

The French have emphasised that the new unit would not have the task of deciding in detail how forces would be deployed and that it was not intended to duplicate Nato's functions.

Mr van Eekelen also expects the WEU Council to approve the establishment of the organisation's own satellite verification centre. In addition, France is pressing for a European capability in surveillance satellites, but the UK, among others, is concerned about the high cost of such a venture.

The ministers will also be asked to adopt a report drawn up by the secretary-general, calling for an intensification of the dialogue with central and eastern European countries, such as Czechoslovakia, Hungary and Poland. A particular aim, according to Mr van Eekelen, should be to achieve a common position on arms control problems.

Kohl rules out early move from Bonn to Berlin

By Quentin Peel in Bonn

THE Bonn government moved yesterday to damp down speculation about a rapid transfer of the German government and parliament from Bonn to Berlin, warning that reconstruction of the Reichstag building alone would take eight years.

Hard on last week's euphoria which followed the Bundestag vote in favour of the former capital city, the cabinet is counting the cost and the practical difficulties of the move. Chancellor Helmut Kohl said the process would take at least 10 to 12 years and warned against unnecessary pressure on the government over the issue.

Mrs Irmgard Adam-Schwaetzer, the minister of public works, told yesterday's cabinet meeting that despite the theoretical availability of former East German government buildings, the vast majority would require almost total re-building and re-equipment.

A top-level team, involving junior ministers from the ministries of finance, economy, the interior and public works, has been set up to consider all the practical difficulties. It is backed by four working groups, including one to concentrate on the problems in Bonn of abandoned property and likely unemployment. They have to submit an interim report by the end of September.

Mr Theo Waigel, the finance minister, and a long-standing opponent of the Berlin move, repeated his concern at the likely cost of the operation, which he has publicly estimated at anything from DM30bn (£10.2bn) to DM90bn, or more.

Supporters of the move say that both the pessimistic timescale, and the costs, are being exaggerated. However, there is little doubt that most civil servants, used to the relative comfort and convenience of life on the Rhine, are regarding a transfer to the Spree with trepidation. House and apartment rents in Berlin are already up to twice the level in Bonn.

● Germany plans to spend around DM25bn to clean up the environment in the brown coal mining region in the former communist east, Reuter reports from Berlin.

Mr Klaus Schucht, board member in charge of energy policy at the government's Treuhand privatisation agency, said yesterday that the programme to landscape slag heaps and recultivate poisoned earth would go out to tender.

Hungary puts blame for apparent GDP fall on faulty figures

By Nicholas Denton in Budapest

HUNGARIAN figures showing a steep fall in gross domestic product may be the fault of an outdated statistical system rather than economic recession, according to the president of the central bank.

"Official statistics are likely to show a 3-4 per cent decline [in GDP] in 1991," Mr Gyorgy Suranyi, head of the National Bank of Hungary, said. "But my forecast is that there won't be a decline in reality."

In a typically upbeat assessment of Hungarian economic prospects, Mr Suranyi said there was a "very strong boom in the private economy" which was not showing up fully in the statistics and he characterised the situation as "stagnation" rather than recession. Hungary had been thought to be suffering from the east European-wide recession.

Central bank officials point to electricity consumption figures for the first four months which show 1.8 per cent growth despite the annual 10-20 per cent contraction of steel-making, construction materials and other energy-intensive industries. "If electricity consumption is increasing, then I cannot imagine how the economy is declining," said Mr Suranyi.

"We would like to replace the official GDP figures," he added, explaining that the NBH and World Bank officials were looking at indirect measurements of output which could better guide monetary policy.

If output is much stronger than previously thought, it may increase the government's room for manoeuvre in implementing socially painful measures.

Mr Suranyi also saw positive signs on the current account, exchange rates and inflation in 1991.

It was possible, Mr Suranyi said, that the current account for 1991 could be "close to a balanced position", compared to the previous official forecast for a \$1.2bn (£73m) deficit.

He added that the spread between the official and black market rates for the Hungarian forint had narrowed to almost nothing from 40 per cent.

The government stood a good chance of bringing down inflation in the year to December to below 30 per cent, which, while unsatisfactory, was still the lowest level in eastern Europe.

Hungary's independent Economic Research Institute forecast year-on-year inflation in 1990 of 33-40 per cent.

Haughey digs in for a successful election

By Kieran Cooke in Dublin

WHEN Ireland held the EC presidency last year, the word went out from the office of Mr Charles Haughey, the prime minister, that all the digging and filling in of Dublin's roads should cease. EC officials, in the Irish capital for meetings, should not be inconvenienced by roadworks.

Over the last few weeks the orders have again gone out: this time there must be a blitz on repairing roads throughout the country.

Today is local elections day in Ireland. The opposition parties have accused Mr Haughey's government of "blatant stroke politics", announcing a number of projects and initiatives to win votes.

The state of the nation's roads are a big issue: a series of government cuts has resulted in some roads, particularly in rural areas, being impassable except to the most robust of vehicles. In one border county a special Pothole Party has been set up.

But Mr Haughey and his Fianna Fail party, the dominant group in Ireland's coalition government, are under attack on broader, national issues. Since he came to power in early 1987 Mr Haughey has won broad support for his handling of the economy. Now the wisdom of an economic policy which has stabilised finances but failed to deliver on jobs is being questioned.

Unemployment, now nudging 20 per cent (along with the Spain the highest jobless rate in the EC) has become the single most important issue.

Fianna Fail looks likely to loose a substantial amount of political ground today, particularly to parties of the left.

Haughey: aims to realise 'the society of our dreams'

Latest opinion polls give Fianna Fail only 39 per cent of the national vote, down from the 44 per cent share the party received in the last general election in mid-1989.

Mr Haughey's government has made substantial economic progress over the past four years – cutting inflation, improving the balance of payments and reducing levels of borrowing. But despite the healthy growth in the economy, the jobless figures have continued to rise.

At the same time emigration has been on the increase. In 1982-89 one in 20 of the population left the country. Now the "safety valve" of emigration is no longer there.

Mr Haughey has a dilemma. While the competitiveness of the Irish economy has improved, long-term growth is still largely dependent on retaining tight control of the public purse. The national debt still stands at I£26bn (£23.8bn). Creating more jobs in the public sector might, as in the past, gain political popularity but it would cause the national debt once again to rise.

When Mrs Mary Robinson was elected as Ireland's first woman president last November there was much talk of change in the Irish body politic. Mrs Robinson spoke of the need for new beginnings, particularly the need to involve Ireland's youth more in the political process.

But these elections have failed to arouse any real political passions. Half of Ireland's population is under 28 years of age and many young people are deeply disillusioned.

Mr Haughey has talked of bringing to reality in Ireland "the society of our dreams" before the end of the century. For many a job is the only dream.

Passenger growth highest in Netherlands

Dutch railways prove Europe's best time-keepers

By Richard Tomkins, Transport Correspondent

THE IMAGE of speed and efficiency which the *train à grande vitesse* has conjured up for French national railways is sharply contradicted by a comparison of European rail systems to be published tomorrow.

Figures for 1990 show that French trains rank along with those of Sweden as some of the least punctual in Europe; the most reliable are to be found in Hungary and the Netherlands.

The statistics are contained in a comparison of the performance of European railways to be published in the July edition of the UK-based Railway Gazette International.

They show that last year 97.8 per cent of trains in Hungary arrived within five minutes of the time due, and in the Netherlands 97.3 per cent arrived within four minutes.

At the other end of the scale, only 79.1 per cent of trains arrived within five minutes of the stated time in Sweden, while in France only 78 per cent of trains met the SNCF's slightly tougher standard of arrival within three minutes of the time due.

Next worst performer was British Rail's InterCity service, which brought only 85 per cent of its trains in within five minutes of the time due. BR's Regional Railways and Network SouthEast divisions were middle-rankers, each achieving 90 per cent reliability.

Other figures in the comparison show the Netherlands topping the league table of rail passenger growth. Government measures aimed at encouraging use of the railways produced a 24 per cent increase in passengers between 1985 and 1990. The biggest falls in numbers of passengers were seen in eastern Europe, which Railway Gazette attributes to greater freedom of choice following the break-up of communist regimes.

The railways in east Germany have lost nearly 21 per cent of their passengers following the relaxation of travel restrictions and the rush to buy private cars from the west, the magazine says.

On the freight side, many railways have seen a decline in traffic because of intense competition from road hauliers. Exceptions are Austria and Switzerland, where freight traffic is being boosted by the growth of "piggyback" operations through the transalpine corridors.

RAIL PASSENGER GROWTH

Country	Passengers in 1990 (millions)	Per cent change over 1985
Netherlands	256.0	+24
Switzerland	164.0	+17.5
Great Britain	762.4	+11.1
France	840.0	+8.1
Austria	168.4	+6.5
Portugal	232.0	+3.4
Italy	428.4	+4.5
Sweden	77.6	+0.9
Denmark	146.0	+0.3
W Germany	1056.0	+0.1
Belgium	142.0	−5.3
Poland	949.5	−6.9
Spain	181.9	−7.9
Hungary	206.2	−10.4
E Germany	469.0	−20.6

Source: Railway Gazette International

China welcomes Kaifu's plans for August visit

By Robert Thomson in Tokyo

MR Toshiki Kaifu, the Japanese prime minister, said yesterday that he intended to visit China in August and would also travel to Mongolia in what will be the first visit by a Japanese leader to the landlocked country.

The itinerary was decided during a meeting here between Qian Qichen, the Chinese foreign minister, and Mr Taro Nakayama, Japan's foreign minister, who urged Beijing to continue with policies of "reform and openness".

Qian said that the visit to Beijing by Mr Kaifu would "mark a new stage in bilateral relations," although, for the Chinese leadership, the Japanese prime minister's presence will be particularly important for domestic political reasons.

The Communist party leadership is still attempting to convince ordinary Chinese that it has international respectability and Mr Kaifu's visit will provide an opportunity for the state-controlled media to emphasise that the outside world has apparently forgotten the brutal suppression of the pro-democracy movement two years ago.

Qian, who also invited Emperor Akihito to visit China next year, asked Japanese officials for assistance in improving Beijing's troubled relationship with Washington. Chinese leaders fear the US Congress, which has been critical of the Bush administration's tolerance of China, will eventually succeed in passing legislation to punish Beijing for its human rights abuses.

The Chinese foreign minister told Mr Nakayama that Beijing was prepared to discuss the human rights question with other countries, but he indicated the government felt under no pressure to change its policies as there were "no abuses" of human rights.

● The US surpassed Japan as the world's leader in foreign economic aid in 1990, partly because the yen fell in value, according to the Japanese Foreign Ministry, AP reports.

Quoting preliminary statistics compiled by the Organisation for Economic Co-operation and Development, the ministry said Japan disbursed $9.24bn in official development assistance, behind the US's estimated $10bn.

Tokyo minister sees shamed businessmen

By Robert Thomson

THE presidents of two leading Japanese stockbrokers were yesterday hauled before Mr Ryutaro Hashimoto, the finance minister, to explain their companies' links to gangster groups and to apologise further for the shame these have brought to the industry.

Mr Yoshihisa Tabuchi, president of Nomura Securities, and Mr Takuya Iwasaki, president of Nikko Securities, have already announced their resignations, but Mr Hashimoto, who has been personally embarrassed by the scandals, wanted to emphasise his disappointment before they step down today.

Ministry of Finance officials indicated, meanwhile, that they had begun an investigation into Nomura's transactions in Tokyu Corporation, a railway and property company whose share price fluctuated sharply in 1989. At that time, the ministry investigated possible price manipulations but did not find conclusive evidence.

Both executives are expected to make further apologies for the scandals today at their annual shareholders' meetings, which could provide small investors with an opportunity to make public their disappointment about the companies' other bad habit of compensating favoured corporate clients for stock trading losses.

After the meeting with the finance minister, Mr Tabuchi said that he was asked "some very tough questions" about a Nomura affiliate's purchase of memberships in a gangster-run golf club and loans of Y16bn ($115.10m) to the group. He resigned after news surfaced of the links with the gangster group "Inagawakai" and the revelations about the company's compensation of clients.

The influence of Inagawakai and other gangster groups was highlighted again yesterday when a leasing company, Showa Lease, admitted that it had lent a total of Y12bn between 1986 and 1988 to an Inagawakai property affiliate, Hokusho Sangyo. Showa Lease said that it was unaware that the gangster group was behind Hokusho, but that the leasing company's executives still felt responsible for the action and had been demoted or had bonuses suspended as punishment last June.

Seven killed in Algerian protests

SEVEN people were killed in overnight clashes between Islamic fundamentalists and security forces in the Algerian capital, the army said yesterday, writes Francis Ghilès in Algiers.

It added that 34 were wounded, including three soldiers and two policemen.

Columns of tanks were positioned in Algiers yesterday after a second night of clashes pitted the army against supporters of the opposition Islamic Salvation Front (FIS).

The tension coincided with the emergence of a split within the FIS leadership. Speaking on state television Mr Bachir Fakih, Mr Ahmed Marani and Mr El Hachemi Sahnouni, three members of the front's ruling council, denounced the confrontational tactics of its spokesman, Mr Abassi Madani. Unlike the riots of three weeks ago which led to replacement of the government and a delay in an election, this week's clashes have been limited to a few districts in and around Algiers. Unrest was set off by a row over Islamic notices at town halls.

Former bank chief jailed in Indonesia

AN Indonesian court yesterday sentenced the former vice-president of Bank Duta, one of Indonesia's biggest private banks, to 10 years' jail on charges connected with the loss of nearly $420m in foreign exchange dealings, Claire Bolderson reports from Jakarta.

Mr Dicky Iskandar Di Nata was also fined $10,000 and ordered to pay back $400m of the lost money. He was the only person to stand trial in the case.

The bank's problems emerged last September when the central bank announced the dismissal of Bank Duta's board of directors because of "operational mistakes".

The "mistakes" were revealed as foreign exchange losses of $419.6m over at least a year. But the bank was swiftly rescued by its majority shareholders, three foundations headed by President Suharto, and when it published a financial statement, reported pre-tax profits of $12m and did not refer to the foreign exchange débâcle.

The judge said that because of the rescue role played by the foundations, and because the public own shares in Bank Dnta, the losses counted as losses to the state. Mr Iskandar was, therefore, guilty of corruption, which he denied.

Hawke launches offensive to unite party

By Kevin Brown in Hobart

MR Bob Hawke, the Australian prime minister, yesterday sought to shore up his leadership of the Labor government by readying it for the next federal election in 1993.

In his keynote speech to Labor's biannual conference, Mr Hawke launched a savage attack on the Liberal opposition, and insisted he would lead Labor to a historic fifth successive victory at the polls.

"The next federal election is still some two years away, but in a real sense we begin that campaign now; a two-year campaign not just to win the election, but to win the future for Australia," he told conference delegates.

The speech was intended to swing Labor's divided factions behind the prime minister in the wake of a divisive leadership challenge earlier this month, in which Mr Hawke defeated Mr Paul Keating, the former treasurer.

Mr Keating, who has retired to the back benches, chose not to attend the conference. However, the possibility of a second challenge has been a prime topic of conversation among delegates.

Hawke: Opponents do not rule out another leadership challenge

Mr Hawke said Labor's fiscally conservative economic policy – confirmed earlier this week in spite of left-wing opposition – had prepared the way for a sustainable economic recovery later this year.

In a passage directed at the financial markets, he promised the August budget would be drafted with "the necessary financial discipline". However, he responded to criticism of the government's lack of response to the impact of recession on many of Labor's natural supporters by promising help for low- and middle-income families.

Mr Hawke presented himself as the only leader who could maintain the disparate coalition of support from the trade unions, ethnic minorities and environmentalists which helped Labor win a narrow victory at the last election in 1990.

He reminded delegates of his former role as head of the Australian Council of Trade Unions, and described himself as an embodiment of the close relationship between Labor and the ACTU, which has played a large role in moderating wage demands over the last eight years.

He also promised "social justice" for minorities, and recalled his part in protecting a number of sites regarded as sensitive by conservationists, including the Franklin river in Tasmania and the Kakadu national park in the Northern Territory.

Mr Hawke recently forced his reluctant cabinet to accept a ban on mining at Coronation Hill, next to the Kakadu park, on the grounds that mining would be environmentally dangerous and infringe Aboriginal spiritual beliefs.

Mr Hawke described the Liberals as a "bastion of privilege".

He claimed that the opposition's plans for a broad-based goods and services tax were "a deliberate and systematic attack on the welfare of ordinary Australians".

The plan would "make the Mercedes cheaper, but bread and milk more expensive", he said.

Mr Hawke was given a standing ovation by delegates after the speech. However, supporters of Mr Keating were still speculating last night that a second leadership challenge might be mounted later this year.

Labor aims to dilute press power in Australia

AUSTRALIA'S governing Labor party voted yesterday for a public inquiry into ways of limiting the concentration of newspaper and magazine ownership, writes Kevin Brown.

The inquiry follows concern among journalists and Labor MPs that Mr Kerry Packer, proprietor of the Australian Consolidated Press (ACP) group, might be manoeuvring for control of the troubled Fairfax group of newspapers.

Fairfax, which publishes the Sydney Morning Herald, the Australian Financial Review and The Age, was put into receivership in December with debts of A$1.7bn (£790m).

Mr Packer has refused to comment on rumours that he is preparing a bid, possibly in partnership with Mr Conrad Black, the Canadian proprietor of the London Daily Telegraph who confirmed on Tuesday that he was "looking at Fairfax".

A foreign bidder would need a local partner. However, the acquisition of Fairfax by Mr Packer would significantly increase the concentration of ownership in the industry since ACP is already the biggest magazine publisher in the country.

Fairfax is the biggest competitor to News Corporation, the media group controlled by Mr Rupert Murdoch. News Corporation controls more than 70 per cent of daily and Sunday newspaper circulation in Australia.

A debate at Labor's biannual conference revealed widespread support among both left- and right-wing delegates for greater controls on media ownership, and concern that existing cross-ownership controls might be circumvented. Conference delegates voted unanimously for the inquiry.

However, Mr Kim Beazley, federal communications minister, said the inquiry would not report until the new year, and was therefore unlikely to affect the sale of the Fairfax group.

Mr Beazley said existing legislation was strong enough to stop circumvention of the cross-ownership laws, which prevent the acquisition of newspaper titles by the owners of stakes of more than 15 per cent in television or radio stations.

Under this legislation, Mr Packer would have to dispose of his controlling shareholding in the profitable Channel Nine television network before bidding for more than 15 per cent of the Fairfax group.

Mr Beazley said the government was determined to ensure the law was observed "in both the spirit and the letter", and repeated an earlier assurance that it would legislate retrospectively to block any loopholes which might appear.

Several other groups are also preparing bids for Fairfax, including Australian Provincial Newspapers (APN), which is controlled by the family interests of Dr Tony O'Reilly, the Irish chairman of Dublin's Independent Newspapers, and chief executive of Heinz, the US-based food group.

A number of overseas companies have expressed an interest in acquiring all or part of the Fairfax assets, including Hellman and Friedman, the US investment group, and Pearson, the UK group which owns the Financial Times.

UK and France give backing to Cambodia peace progress

By Our Foreign Staff

BRITAIN and France yesterday welcomed the outcome of talks between Cambodia's four warring factions, in spite of their failure to agree on such issues as the monitoring of an agreed ceasefire and a halt in arms imports.

The three days of talks in the Thai resort of Pattaya produced the first signs of real progress toward ending 12 years of civil war in the country within the framework of the Supreme National Council, a national reconciliation body set up by the UN.

The meeting, of the four protagonists, chaired by Prince Norodom Sihanouk, the former monarch and leader of one of the guerrilla groups, appeared to agree on a collegial leadership for the SNC, a problem which dogged previous talks, and on the location of SNC headquarters in Phnom Penh.

"There is political will from all factions to implement peace," said Mr Jean Levitte, France's chief delegate to the talks. France said it would be prepared to open a diplomatic mission accredited to the SNC once it returned to the Cambodian capital.

The British Foreign Office said the ceasefire and agreement on the functioning of the SNC were "important steps in the peace process".

A compromise on UN monitoring of the ceasefire and arms ban, however, failed when the UN envoy to the talks said the organisation would not send troops until all factions had fully approved the peace plan devised by the five permanent members of the Security Council.

The envoy, Mr Rafeeuddin Ahmed, said the ceasefire and arms moratorium were not within the framework of the plan. This meant the UN could only send a small survey mission into Cambodia to assist but "not to supervise and control the ceasefire".

The UN plan calls for foreign administrators virtually to take over the governing of Cambodia during a disarmament period ahead of elections.

Hun Sen, the Cambodian prime minister, who has long resisted ceding sovereignty to the UN, said he supported the idea of sending monitoring troops.

The Khmer Rouge, the strongest of the three guerrilla factions, proposed that the SNC request a 700-strong peacekeeping force to supervise the ceasefire, according to Kor Bun Heng, a close aide to Khmer Rouge leader Khieu Samphan. This number was later lowered to 500 by the group.

The issue of ceasefire supervision will be taken up again at the next meeting of the SNC, due to take place in Bangkok in the second half of August.

Seoul to spend more on infrastructure

By John Ridding in Seoul

THE South Korean government is planning a supplementary budget of Won4,300bn (£3.58bn) to help finance projects aimed at improving the country's infrastructure.

The Economic Planning Board, the top economics ministry, said yesterday the main expenditure would be on expanding the country's congested roads and port facilities.

The infrastructure problem is very serious," said Mr Kim Ho Shik, a senior official in a presidential task force which is co-ordinating the improvement of Korea's infrastructure.

According to Mr Kim, container ships wait on average between 60 and 90 hours to unload their cargoes at the country's principal ports.

The increasing traffic burden on Korea's highways means that the journey from Seoul to the western port of Inchon now takes twice as long as it did three years ago. The government's response has been to launch an ambitious programme of expenditure.

It plans to build more than 300,000km of new roads by 2030 and will spend Won40,000bn on roads by the year 2001.

The country's power stations, railways and ports will also be expanded, while underground railway systems in Seoul, Pusan and three other cities will be built or extended at a total cost of Won19,000bn.

As a result of this ambitious programme, the level of expenditure on infrastructure will be increased from 3.7 per cent of gross national product last year to about 5 per cent by the middle of this decade.

An EPB official said that more than half this year's supplementary budget will come from the tax surplus in 1990 and the balance from domestic tax and tariff incomes.

Kuwaiti foreign exchange delay

By Victor Mallet, Middle East Correspondent

KUWAIT yesterday postponed the lifting of foreign exchange restrictions until August 3, but announced that all banking procedures would return to their pre-war status by that date.

Sheikh Salem Abdul-Aziz al-Sabah, the governor of the central bank, also said that the limit on withdrawals from Kuwaiti banks would rise to KD6,000 (£12,500) from KD4,000 per account per month (or the equivalant in foreign exchange) on July 1.

Restrictions were due to be lifted yesterday, but bankers were expecting a delay because of the intensity of demand for foreign exchange and fears of further capital flight. The central bank's poor record on meeting its deadlines since the end of the war suggests that a further postponement cannot be ruled out.

Kuwaitis have been thronging the banks to withdraw money because they are uncertain about their country's economic future and some of them fear that the dinar will be devalued, although Sheikh Salem went out of his way to deny this.

"If there had been an intention to decrease the dinar this would have been effected when banks resumed their operations in March," he told Kuwaiti newspapers published yesterday.

"On August 3, all forms of restrictions on withdrawals and banking transfers in Kuwaiti dinars or any foreign currency will be lifted," he said. "By completing this step banking procedures will return to how they were before the occupation."

Kuwait's exchange controls are mainly aimed at preventing capital transfers. They have not inhibited the issuing of letters of credit for imports.

Hong Kong council votes to abolish the death penalty

By John Elliott in Hong Kong

HONG KONG'S Legislative Council last night voted to end the death penalty for the first time in the history of the colony, defying public opinion which has been shown by surveys to be strongly in favour of capital punishment for murder.

The government will now draft legislation to remove the penalty from the statute book, which might be opposed by China.

No one has been executed in Hong Kong since 1966 because the governor has commuted death sentences. But, in deference to strong feelings among the local ethnic Chinese community, the penalty has been kept on the statute book.

One factor which influenced legislators yesterday was a fear that China would allow executions to go ahead after it regained sovereignty over the colony in 1997 and might even try to widen the range of crimes for which the death penalty applies.

People are executed in China for crimes such as corruption and rape and are often shot after summary trials.

India may be on brink of burying its policy taboos

The Rao government's honeymoon period presents an opportunity for reform, **David Housego** writes

AMONG senior Indian officials and the country's business community, there is a growing belief that the new government of Mr P V Narasimha Rao has more leeway to carry through a programme of economic reform than seemed likely before the first round of polling in May. Detailed analysis of the election results now shows that Rajiv Gandhi's assassination brought the Congress an additional 30 seats.

But the honeymoon is likely to be short-lived.

India has been within a hair's breadth of defaulting on foreign debt repayments over recent months. The shock of this to national pride – brought home by the government's sale of confiscated contraband gold to help meet debt repayments – has made new ideas more acceptable and is helping to chase away old taboos like fear of foreign investment and of borrowing from the International Monetary Fund.

Exhaustion with the violence of recent months, the long election campaign, and the emotional drama of Rajiv Gandhi's death will make it easier for the Congress government to push through unpopular cuts in expenditure and increases in taxation. Though it is a minority administration, it is in a stronger position in parliament than the Janata Dal government of Mr V P Singh.

The main opposition parties – the Hindu revivalist Bharatiye Janata Party (BJP), the communists and the Janata Dal – have no wish to unseat the Congress in the near future.

Dr Manmohan Singh, the new finance minister, sought to exploit these advantages at his press conference on Tuesday in setting the goal of an internationally competitive economy. He used South Korea as his model comparing its success with India's failure to achieve its economic potential.

Dr Singh's strength is that he is an academic economist with long experience in government. He knows the direction in which he wants to go and enjoys the confidence of the IMF and donor nations. His weakness is that as a non-political appointee he may not have the political clout to push through change.

His hope is that the budget he will present next month – and which was due to have been delivered in February – will be the starting point of a medium-term reduction in the budget and the balance of payments deficit, with the aim of bringing inflation down to 8 to 4 per cent from its present level of 12 per cent.

Macroeconomic stabilisation is to be accompanied by structural reforms including industrial deregulation, tariff cuts and a further opening up of the economy to foreign investment. India is initially seeking a $2bn (£1.2bn) standby credit from the IMF and about $500 in fast disbursing loans from the World Bank. But the government now wants this to lead on to a larger $5bn to $7bn borrowing package from the Fund and the World Bank. The package would provide greater leeway for managing the balance of payments, but would also carry tougher conditions.

Mr Yaswant Sinha, the former finance minister, was tripped at the first hurdle. The budget he was due to present in February – which would have cut the deficit to 6.5 per cent of gross domestic product from 9 per cent last year – included substantial cuts in subsidies.

Mr Sinha now believes that hostility to these was the real reason for the postponement of the budget. At the same time the IMF refused to allow as a genuine deficit reduction the government's sale of a stake in public sector corporations to state-owned mutual funds.

The trade unions are opposed to a revision in the labour laws that will make it easier for companies to shed labour as a way of cutting costs and improving efficiency.

Dr Singh has probably a six month grace period in which his critics will lie low.

When the going gets rough he cannot count too much support from the prime minister. Mr Rao is a cautious man whose instincts are for consensus. In forming his cabinet, he has followed the example of the Gandhi family in rewarding loyalists and being watchful of the talented and ambitious. Though the senior bureaucracy is now a stronger supporter of liberalisation than it was, Rajiv Gandhi always believed it would put obstacles in the path.

Because of this, he was gathering around him a "task force" with the ideas of bulldozing through reforms in a limited time span.

As a minority administration, this government also cannot expect to last more than two to three years. Both the BJP and the Janata Dal hope to use these years to build up their strength to renew their challenge to the Congress. In this sense, the general election marked, as one commentator put it, "a semi-final" in an unfinished match.

The BJP increased its strength in part because of its appeal to Hindu sentiment. But it also won votes from Congress by exploiting growing disillusionment with India's economic failures.

Congress's only way of countering that is to stick to the programme that Dr Singh has outlined.

Mr P V Narasimha Rao, the Indian prime minister, yesterday appointed Mr Sharad Pawar, his political rival, to the post of defence minister without giving him the number two ranking he had sought, Reuter reports from New Delhi.

Mr Pawar said after the swearing-in ceremony in the presidential palace in New Delhi that he did not know if he would be the highest-ranked minister in Mr Rao's cabinet of 15. Mr Rao was more forthright, saying: "There are no number twos and number threes." The other 14 members of the cabinet were sworn in last Friday.

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Two hours drive east of San Francisco lies a still, fruitful valley where the world's finest walnut trees grow in their thousands.

Of these, a few will be deemed of sufficient quality to grace the interior of a marque whose mell[illegible] statement of distinction has earned an [illegible] unbroken history of distinguished [illegible] patronage. This exceptional selection, [illegible] already past its fruit-bearing life, will now begin the long journey from misty grove to discreetly luxurious dashboard.

After much painstaking inspection and assessment, the walnut arrives at our own atmospherically regulated stores as cut burr veneers. Here awaits the ultimate test of quality, the master craftsman's eye. Woodgrains are then scrupulously matched for pattern in the numbered sets that will give each car its own unique interior 'signature'.

Experienced hands mount these on a base of birch-wood, and apply the characteristic highlights of hand-cut matchwood inlays. Then begins a three week ritual of sand-ing and polishing where pure elbow grease is still preferred to bleach and stains.

Once in place, it presents the passenger with a perfect mirror image of the lustrous expanse of walnut surrounding the driver. An opulent theme generously repeated throughout an interior where even the unique rear fold-down picnic tables stand as a tribute to generations of cabinet-makers' art.

Leather too, is lavishly applied. Chosen only from [illegible] the cool, parasite-free pastures of Scan-[illegible]inavia, to produce the blemish-free [illegible] hides of optimum quality required for the hand-stitched, tailored interiors, that in looks, feel and aroma set the bench-mark for quiet extravagance. True to decades of Daimler tradition, the cabin comes equipped with a wealth of creature comforts.

A world of sumptuous luxury within a humidity-controlled, air-conditioned environment, where seats of armchair proportions, (heated in the front), individual reading lamps, rear blinds and electrically powered windows and sun roof impart an additional exclusivity.

To this, we add the limitless pleasure of a custom-designed audio system that includes a cassette player, an optional Compact Disc player, as well as an advanced radio, which displays station names rather than confusing frequencies, and automatically re-tunes to the strongest signal for your chosen station as the journey progresses.

Complementary to this abundant comfort and matchless craftsmanship, comes advanced engineering technology.

All the power you are ever likely to need is generated by a near silent, 4 litre six cylinder engine, whose sporting heritage is perceived rather than flaunted.

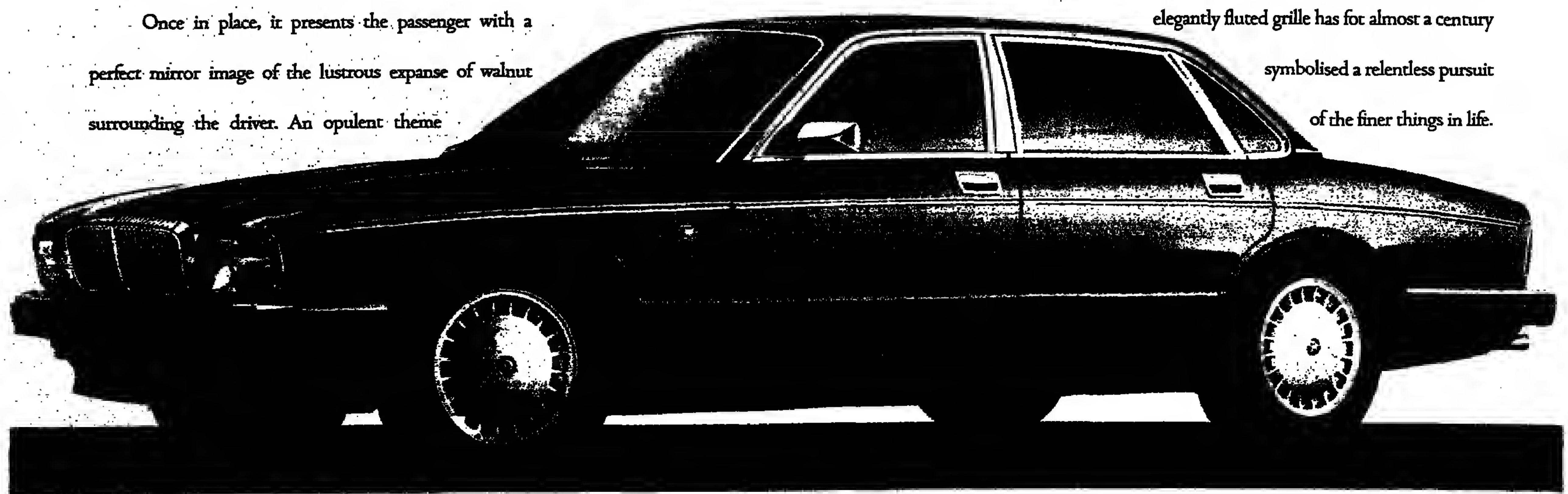
Progress is delivered through an electronically controlled, four-speed automatic gear box, equipped with a convenient choice of 'sport' or 'normal' driving modes that effortlessly changes performance characteristics at the touch of a switch.

Of course, anti-lock braking with yaw control comes as standard. A new low-loss catalytic exhaust system helps protect the environment with little prejudice to economy and performance.

For 1991, Daimler continues to combine the virtues of human endeavour with micro-processor technology.

THE 1991 DAIMLER.

A respect for tradition with enthusiasm for the future, creating a marque with true charisma, whose elegantly fluted grille has for almost a century symbolised a relentless pursuit of the finer things in life.



AS LONG AS THERE HAVE BEEN MOTOR CARS, THERE HAS BEEN DAIMLER.

Daimler

S&L rescue 'will need extra $80bn'

By Peter Riddell, US Editor, in Washington

COMPLETION of the US savings and loan rescue will require an additional $80bn to cover losses and protect depositors, as well as an increase in the borrowing limit up to $160bn, Mr Nicholas Brady, the US treasury secretary, confirmed yesterday.

The estimates, presented to the Senate banking committee, worried several senators, and Mr Brady clashed with some Democrats over charges that earlier, lower projections had been tinged with politics.

The savings and loan, or thrift, rescue is unpopular with voters and each stage of the funding has been fraught with political problems. So far, $89bn has been provided to complete the closure of defunct thrifts.

Mr Brady confirmed yesterday that a further $80bn might be needed to complete the task. This total of $160bn at current, budget dollars is, Mr Brady argued, consistent with the top end of the earlier cost range of $90bn-$130bn in 1989 dollars.

The money is needed to cover the gap between a thrift's deposits and the value of its assets. In addition, substantial amounts of working capital are required to finance the acquisition of assets of failed thrifts until they can be sold. At present there is a cap on borrowings for working capital of $125bn (of which about $70bn is likely to be used by the current fiscal year-end in three months' time).

Mr Brady warned yesterday that the upper limit could be exceeded in the coming fiscal year and working capital needs could peak at $160bn by mid-1993. The aim is that thereafter, working capital borrowings will start being repaid and should disappear by 1996.

However, he admitted that the working capital might not be fully repaid. There could be a shortfall because of uncertainties in the commercial property market. He said that as of two months ago, the Resolution Trust Corporation, which handles the rescue, held $164bn in assets, having disposed of $154bn in assets taken over since its launch in August 1989.

Foreign bankers fear reforms

Incorporation seen as 'serious problem', writes **David Lascelles**

FOREIGN bankers are watching closely the progress of the banking bill in the US House of Representatives this week.

They fear that if the bill, as proposed by the administration, becomes law, it could hamper their operations in the US. All the major leading international banking trade groups have been lobbying hard to get it changed.

Mr Nicholas Brady, the US treasury secretary, has proposed that foreign banks should be required to incorporate in the US if they want to take advantage of the more liberal laws contained in his reform plan, in particular those allowing them to diversify into new lines of business such as insurance and investment banking.

Because most large banks operate through unincorporated branches in the US, this would force them to make big structural changes and capitalise new companies on US soil.

It would also cut their lending ability because their US balance sheet size would be dictated by the capital of the subsidiary rather than the whole group.

The process of transforming their operations would wipe out any tax loss carry-forwards they had accumulated in the US.

Mr Lawrence Uhlick, executive director of the Institute of International Bankers, the foreign banks' trade group, described the proposal as "a very serious problem for our members".

One large Japanese bank estimated that it would have to invest as much as $2bn in a new US subsidiary in order to sustain the volume of assets which it currently has in the US. Although this would be a transfer of existing capital rather than a new cost, it would reduce the bank's operating flexibility.

The administration based its proposal on the need to achieve equal treatment for foreign and US banks.

If the Brady plan goes through, US banks would have to incorporate all their diversified activities separately for prudential reasons. Foreign banks, in turn, therefore, would not be exempt.

However, foreign banks have pointed out that US banks can operate diversified activities abroad without having to incorporate locally, so the

Brady: seeking equality for US and foreign banks

effect, to the extent that two members of the House have tabled an amendment which would soften this part of the bill.

The amendment says that foreign banks should be allowed to continue their traditional banking businesses through branches and agencies if they wished, though the US regulatory authorities would have to monitor the capital strength of the parent bank themselves.

This compromise, which stands a good chance of being adopted by the House banking committee, would satisfy the foreign banks' concerns.

It would preserve their freedom to operate in the way they do, while the monitoring requirement is something the US authorities effectively already do.

However, the Treasury has shown little sign of yielding on the issue.

This is largely because of the power of the small bank lobby which sees no reason why foreign banks should be treated differently.

Many congressmen also see the measure as a way of restraining foreign competition in banking, in particular from the Japanese who have expanded their US operations strongly in recent years.

If the House committee approves the amendment, it would stand a good chance of making it through the debate on the House floor.

The Senate, which will also have to vote on the bill, is keeping its powder dry on this particular issue, awaiting the outcome from the House.

Brady plan could be viewed as obstructive, even discriminatory.

Sir Leon Brittan, the EC commissioner for financial services, wrote to Senator Don Riegle, chairman of the Senate banking committee, to say that the proposals were "to the detriment not only of foreign banks but also the competitive environment of US financial services".

Although he did not mention reciprocal action, this threat clearly hangs in the air.

Mr Alan Greenspan, the Federal Reserve chairman, also testified against this part of the Brady plan, pointing out that it could reduce lending capacity in the US and create problems for US banks operating abroad.

The lobbying has had an

GNP revised down further

By Michael Prowse in Washington

US REAL Gross National Product fell at an annual rate of 2.8 per cent in the first quarter, not 2.6 per cent as earlier estimated, revised figures from the Commerce Department indicated yesterday.

The steeper decline in GNP reflects downward revisions to personal consumption, non-residential investment and business inventories.

The new figures, however, show a slightly stronger contribution from overseas trade.

The first-quarter decline follows a contraction at an annual rate of 1.6 per cent in the final quarter of last year. The recession officially began last July.

However, the Blue Chip industrial consensus predicts that GNP will grow at an annual rate of 0.4 per cent in the current quarter and at 2.6 per cent in the second half of this year.

GNP for the year as a whole is expected to decline by 0.2 per cent.

Yesterday's first-quarter figures show the decline of personal consumption easing to an annual rate of 1.5 per cent compared with minus 3.4 per cent in the fourth quarter.

But business investment fell at an annual rate of 16.3 per cent compared with a rise of 0.1 per cent at the end of last year.

According to Blue Chip forecasters, a rebound in personal consumption and reduced liquidation of inventories by businesses will provide the keys to recovery in the current quarter.

● The Commerce Department has revised May building permit applications down to a seasonally-adjusted annual rate of 966,000 from 979,000 as published on June 18, Reuter reports from Washington.

Applications for single-family homes were revised up to a rate of 760,000 from 758,000, and permits for buildings with two to four units went up to a rate of 41,000 from 40,000.

But permits to build apartments with five or more units were cut back to a seasonally-adjusted annual rate of 165,000 from 181,000.

UK seeks support from America for Trinidad Terms

By Peter Norman, Economics Correspondent

THE UK government is trying to win US support for an $18bn (£11bn) plan to ease the official debt burden of the poorest, most heavily indebted countries in time for next month's Group of Seven economic summit in London.

Among the nations attending the summit, France, Germany, Italy, Canada and Japan now back the British plan, which was first proposed by Mr John Major, when he was chancellor, last September.

The US remains the only G7 country withholding its support for the so-called Trinidad Terms. One element of the UK-inspired package is that creditor countries should write off two-thirds of the debt burden of the countries involved. The US has been unable to agree to this because such a move would count as a charge against the budget.

British treasury officials said it was Britain's firm intention to sort out the impasse in time for the July 15-17 summit so that the Trinidad Terms can then be approved and implemented by the Paris Club of western creditor nations.

The Trinidad Terms are intended to help some 19 countries, mainly in sub-Saharan Africa, which are so poor as to qualify for concessional finance from the International Development Association, the World Bank's soft loan agency.

The outstanding official debt of these countries is estimated at between $27bn and $28bn. The two-thirds write off would reduce their debt burden to around $9bn.

The package includes proposals that:

● Creditor nations should tackle the total stock of a debtor nation when it wants to reschedule its debt. At present, creditors reschedule one tranche at a time, limiting cash-flow benefits.

● A debtor's interest payments should be capitalised for the first five years of a rescheduling and the repayments then linked to the debtor nation's export capability.

● Repayment periods should be extended to 25 years in cases where the debtor nation pays market interest rates.

The plan would apply to countries carrying out market oriented economic reform programmes under the auspices of the International Monetary Fund.

Argentina faces fresh hitch over finances

By John Barham in Buenos Aires

ARGENTINA faces increasing difficulties in paying domestic and foreign creditors and has hit fresh problems over efforts to bolster government finances.

Congressmen say a deeply unpopular proposal by Mr Domingo Cavallo, the economy minister, to introduce a new property tax in Buenos Aires aimed at plugging a $300m gap in the national budget, has little chance of being approved.

Last week Mr Cavallo was forced to withdraw from Congress an equally unpopular proposal to stagger a pay bonus paid in June and December. Ostensibly, the change was designed to dampen inflationary pressures but critics say the government simply lacked the money to pay the bonus.

Mr Cavallo said the property tax was needed to comply with a law raising teachers' pensions.

Mr Cavallo increased tax revenues to $2.07bn in May from $1.47bn in March, largely through curbing tax evasion, but he is still hard-pressed to find the $350m per month needed to pay creditors.

Congressmen have been increasingly irritated with Mr Cavallo's tax and bonus proposals. Elections are scheduled for September and October in which the government needs to increase its majority in Congress and retain control of most of Argentina's 24 provinces.

US call to ease trade ban on Vietnam

By Nancy Dunne and Janet Kim in Washington

SENATOR Frank Murkowski, vice-chairman of the Senate Intelligence Committee, has urged a partial lifting of the US trade embargo against Vietnam to help resolve the fate of 2,300 soldiers still missing 16 years after the US withdrawal.

Under legislation introduced last week, the embargo would be lifted after Mr James Baker, US secretary of state, certifies that an international humanitarian organisation has been granted unlimited access in Vietnam to search for the missing Americans.

The legislation calls for lifting the US embargo on all but high-tech and dual-use commodities. The bill does not provide for normalisation of diplomatic relations.

Senator Murkowski argued US humanitarian workers, business people and tourists would have the opportunity to gain information about the missing servicemen if a trading relationship was established. US business had been losing out while other foreign investors had been establishing themselves in Vietnam.

Mr Dwight Jasmann, president of AT&T Communications Pacific, told a House sub-committee the US ban on direct telephone service with Vietnam had created a lucrative black market for third-country intermediaries "technologically impossible to stop and expensive to police".

Boesky's head trader sentenced

Mr Michael Davidoff, former head trader for Mr Ivan Boesky, the convicted insider trader, has been sentenced to five years' probation and fined $50,000 for securities law violations, Nikki Tait writes from New York.

Mr Davidoff had pleaded guilty to the charges, and subsequently co-operated during the investigation of both Mr Boesky's activities and those of Mr Michael Milken, the former junk bond chief at Drexel Burnham Lambert, the now-defunct US investment bank.

Siemens wins DM2.6bn power order from Iran

By Andrew Fisher in Frankfurt

SIEMENS, the German electrical and electronics group, has won a DM2.6bn ($1.4bn) order for a natural-gas fired power station in Iran using a technology which it is also introducing into the Soviet Union. Payment will be in cash covered by letters of credit.

The German company said the 2,080MW power station, to be built for the Tehran Regional Electric Company, would use a type of technology – the combined-cycle gas and steam process – which saved on fuel use, cut electricity production costs, and was environmentally friendly.

The Iranian deal, won against US and French competition, is the largest won by Siemens' KWU power generation unit using this technology. It is already building a similar plant, though half the size, at Gilan in northern Iran.

Another recent Iranian order comprised a smaller gas-fired power station at Neka near the coast, with an option to build in the combined-cycle technology.

Siemens claimed the process, known in German as GUD, or *gas und dampf* (steam), halved the cost of electricity generation to around DM1,000 per KW. It also increased fuel efficiency and lowered costs by the double use of energy, firstly in the gas turbines and then to produce steam from the waste heat.

The GUD process also enables electricity to be produced more quickly, since the first gas turbines can be installed within a year. The Tehran power station, in the south of the city, will consist of two stages, each with a capacity of 1,040MW.

Siemens has just signed a co-operation agreement with the Soviet Union on the use of GUD technology, for which the German company has also won power plant orders in recent years in the UK, India, Indonesia, Mexico, Pakistan, and Turkey.

Under the Soviet deal, Siemens is involved with Ansaldo-GIE and FATA European Group, both Italian, in a Moscow-based joint venture, Energoengineering, to build power stations in the USSR and elsewhere, modernise existing ones, and install pollution control and fuel-efficiency equipment.

Siemens is also forming Interturbo with Leningrad's turbine-building production association to build gas turbines designed by the German company.

Collor wins victory on information technology

By Christina Lamb in Rio de Janeiro

PRESIDENT Fernando Collor has won a political victory with the passing of a law ending controversial protection for Brazil's information technology industry from October 1992 and liberalising foreign investment in the sector.

Next year, for the first time, Brazilians will be able to import microcomputers and fax machines, and foreign companies will be able to produce any information technology they wish.

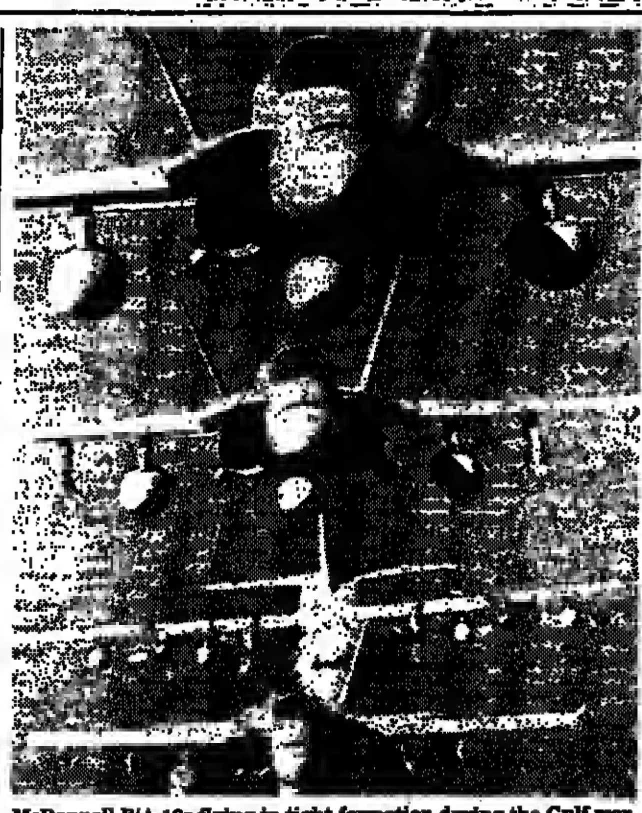
The law which ends a long-running trade row between Brazil and the US was passed on Tuesday night after months of resistance from Brazil's Congress. Its passage was enabled by a sudden about-turn by the major opposition party (PMDB) which had tried to sabotage the government's liberalisation effort.

Mr Luis Henrique, a PMDB congressman and head of the House science and technology committee, had dismissed the government by submitting an amendment which would force foreign companies operating in Brazil to invest 8 per cent of profits in research and to export 50 per cent of production, while prohibiting them from tax exemptions and government contracts available to Brazilian companies.

Bnt Mr Orestes Quercia, head of the PMDB, apparently decided to clamp down on his party's protectionist tendencies and for the first time voted with the Collor government to pass a bill scrapping almost all the nationalistic curbs.

The new bill, which must now be passed by the Senate, ends the market reserve from October 29 next year, allowing installation of foreign companies and importation of products, and extends the same benefits of tax exemptions and government assistance to foreign and Brazilian companies.

No minimum export quota will apply for foreign companies. Joint ventures will be allowed, with foreigners holding 49 per cent of voting capital and having to spend 5 per cent of profits on research and development.



McDonnell F/A 18s flying in tight formation during the Gulf war

Swiss to pay $2bn for 34 McDonnell F/A-18 fighters

By David White, Defence Correspondent

SWITZERLAND yesterday ended a year of suspense over its choice of a fighter aircraft by confirming the purchase of 34 F/A-18 Hornet jets from McDonnell Douglas of the US.

The deal is reckoned to be worth about $2bn with spares.

The decision, which reverts to the Swiss government's original decision made in 1988, is a blow to the French manufacturer Dassault Aviation which had been hoping the Swiss would lead a revival in its export business.

The order comes as a relief to McDonnell Douglas following its setback earlier this year, when South Korea reversed its decision to buy 120 *F/A-18s* and opted for General Dynamics F-16s instead, in a deal worth more than $5bn.

Switzerland originally selected the F/A-18 in preference to either the F-16 or Dassault's Mirage 2000. But a year ago, it ordered a re-evaluation of the competition, with the French manufacturer proposing an upgraded version of its contendar, known as the Mirage 2000-5, equipped with new radar.

Interest in the contest increased with the entry of two Soviet candidates, the MiG-29 Fulcrum and the Sukhoi Su-27 Flanker. However, the MiG-29 – the nearest Soviet equivalent to the F/A-18 – was eliminated earlier this year.

Mr Kaspar Villiger, the Swiss defence minister, said the US jet was the clear choice because it was a proven fighter.

US concessional finance package for Indonesia

By Nancy Dunne in Washington

THE US Export-Import Bank and a consortium of private US lenders have announced a $137.7m concessional financing package for indonesia which is designed to help American companies break into markets "spoiled" by offers of cheap foreign government export credit.

It has been more than a year since Eximbank created four $125m concessional financing facilities with the US foreign aid agency for Indonesia, the Philippines, Thailand and Pakistan.

Nothing has come of the US credit lines until now. Last autumn the Indonesian planning agency turned over to Eximbank a long list of possible deals. This was whittled down to a package of nine separate transactions, only one of which has, in fact, been signed.

An Eximbank loan officer said Thailand about a month ago submitted a list of project suggestions which will soon go to the board of directors for preliminary approval. A Philippine package is still in negotiation, and the Pakistani deal is "on hold" and may never go forward.

China threatens Boeing if MFN status is lost

By Yvonne Preston in Peking

LI PENG, China's prime minister, threatened retaliation against the US Boeing company if the country'e Most Favoured Nation (MFN) trade status is not renewed this year. The warning is the first China has publicly directed at a specific company during a vocal campaign to retain its US trading privileges.

The remarks came as Li was addressing a dinner for foreign businessmen and Chinese government officials.

Li's warning was all the more pointed because Beijing's Boeing representative, Mr Thomas Lane, was seated at his left throughout.

The premier said China had ordered 15 Boeing 737 and 757 aeroplanes this year bnt if MFN status was revoked there would he no more orders. Mr Lane acknowledged that his company did abont $4bn of business with China last year, and said deliveries were taking place continuously.

Boeing has lobbied for unconditional renewal of China's MFN status, in line with the policy of President George Bush.

Li praised the president's stand. "The Chinese government and Mr Bush take the same position," he said.

After months of disputing the US version of its hnge trade deficit with China Li also implied China'e acceptance of the US figure of $10bn. "This is true," he said, but with most of China's exports coming from foreign investment enterprises the US would suffer with China and Hong Kong if MFN were not renewed.

With 30,000 foreign enterprises involving $40bn in foreign investment "MFN is mntually beneficial."

In an account of the state of China's economy Li said the only problems were low productivity and the poor quality of goods prodnced in state enterprises.

Grain stocks stood at 25m-30m tonnes; inflation was down to 3 per cent from a peak of 18 per cent three years ago; and foreign reserves amounted to $32bn – a figure disputed by some diplomats.

Li said foreigners complained of China's imports growing much slower than its exports but blamed sanctions for the lag.

Arms windfall dilemma for Turkey

Hand-me-downs threaten new industry, writes **John Murray Brown**

THE TURKISH military is refusing to take delivery of armoured personnel carriers produced in a joint venture between the Turkish defence procurement agency SSM and FMC of the US.

The project was the first negotiated by SSM, which was set up by Mr Turgut Ozal when prime minister in 1985. The dispute underlines the point that to please SSM is not the same as pleasing the country's generals.

More than that, it raises questions about SSM's future at a time when Turkey looks set to benefit from the redeployment of modern tanks and other equipment from the North Atlantic Treaty Organisation's central front while its own older hardware is taken out of service – the so-called cascade effect.

More immediately, it casts a shadow over future contracts at a time when a number of key deals are close to being signed. Final bids are in for a $2bn helicopter contract to supply helicopters to the Turkish army. Sikorsky's Black Hawk is favourite. However there are bids from Bell of Canada, Aerospatiale of France and the German group MBB.

The need to beef up Turkey's military machine has been the enbject of countless Nato studies. Turkey's conscript army, with 600,000 men under arms, is the second largest in Nato. But much of its hardware is out of date. Turkish mechanised divisions, for example, comprise petrol-burning M47 and M48 Patton tanks dating from the 1950s when Turkey joined Nato. Its aircraft include three separate makes of F-104 starfighters – German, Canadian and Italian.

For years the army has relied on hand-me-downs from its allies. Under its Southern Region amendment programme, the US is transferring considerable armoury to Turkey. The US programme, together with a German aid package, will include 600 M-60 tanks, 400 leopard tanks, 700 armoured personnel carriers, 40 Phantom fighters, together with Cobra helicopters, missile destroyers and Roland surface to air missiles.

The arms windfall has already forced SSM to rethink some of its joint venture programmes. Plans to convert the M48 tank, for example, have been shelved.

Defence officials identify three main areas – air defence, electronic warfare and communications. Given the technologies involved, Turkey will probably buy some of these systems off the shelf.

One argument used to support SSM'a homegrown arms capability is that it forced greater integration of existing industries. Many joint venture partners have little experience of defence manufacturing.

> The dispute shows how vulnerable Turkey can be to the whims of first-world suppliers

Marconi, for example, has just delivered its first battlefield wireless system for the armed forces, a contract valued at $190m, in partnership with Has Holding, an Istanbul company better known for having the Coca Cola franchise. Tekfen, one of FMC's partners is a construction company.

Mr Vahit Erdem, the head of SSM, confirmed there were problems with engine power and the night-sighting capability of the armoured personnel carrier.

There was also a separate wrangle over the vehicle'e Swiss 25mm Oerlikon gun. Switzerland banned the sale of the 25mm Oerlikon gun for fear it would be used by Turkey to suppress its Kurdish separatists.

Oerlikon sidestepped the restriction importing the gun from its Italian subsidiary for the first 80 vehicles. However SSM has now re-tendered the contract. McDonnell Douglas of the US, Mauser of France and Giat of Italy have been asked to submit offers.

The dispute, which surfaced in the midst of the Gulf war, demonstrates how vulnerable Turkey can be to the whims of first-world arms suppliers.

Moreover it provided an uncomfortable reminder of the arms embargo imposed by the US after Turkey's invasion of Cyprus in 1974, one of the main reasons for the launch of its own defence industry.

This announcement is neither an offer to sell nor a solicitation of any kind. The information herein represents the newly established business affiliation between Sharp World Communications, Inc. of Chicago, IL., and The Magnetizer Group, Inc of Gardenville, Pennsylvania. The business relationship between both companies are that of Exclusive Authorized National Distributor and Manufacturer. The agreement between both companies was expedited on the 17th day of May 1991.

June 27, 1991

We Are Pleased To
ANNOUNCE
The New Business Affiliation Between

SHARP WORLD
Communications, Inc.

&

The Magnetizer Group, Inc.

Projected Gross Revenues

1992	1993
$35,970,000.00	$89,925,000.00

Sharp World Communications, Inc. has entered into a formal agreement with *The Magnetizer Group, Inc.* as the Exclusive Authorized National Distributor of the *MAGNETIZER FUEL-ENERGIZER®* and the *MAGNETIZER COOLANT-ENERGIZER®*. Both *Magnetizer* products will be advertised nationally as part of our national campaign promotion, through Newspapers, Magazines, Radio Stations, Cable TV and Regular Television Networks.

The Magnetizer Group, Inc. has developed an incredible fuel efficiency device that provides substantial savings on *Gas*, while simultaneously reducing the majority of harmful emissions from any *Gas* Powered Vehicle. This remarkable energy source also cleans fuel lines and increases horsepower. In addition, the *MAGNETIZER FUEL-ENERGIZER®* does NOT deprive anyone's vehicle of its Warranty. During the course of over a decade long of testing and research, *The Magnetizer Group* developed a full line of revolutionary *Magnetizer* products that cater to *Fuel Efficiency* and *Hard Water* with astonishing performance. Their findings have been the result of an incredible breakthrough, which we view as the *ONE COMPANY* the *WORLD'S* been waiting for. We are gratified to know there is an energy source that works for the benefit of our environment.

Just for the record, since 1985 *The Magnetizer Group* has sold well over one hundred (100,000) *FUEL-ENERGIZERS WORLDWIDE*, with a most impressive return from customers that amounted to less than a dozen units. This not only shows us how good the products perform, but confirms the satisfaction of consumers. We believe that in today's market any product that is environmentally sound, coupled with its benefits and performance, will certainly win the confidence and satisfaction of all consumers. With these figures, not only are we convinced of the product's enormous potential in world markets, but we're also impressed with what it does for the *WORLD'S ENVIRONMENT*. The bottom line is, we are very fortunate to be representing this incredible technological breakthrough, which generously caters to the world's most valuable resources.

Finally, after eleven months of negotiations *Sharp World Communications* is proud to have become the first *Exclusive U.S. National Distributor* of the *MAGNETIZER* fuel products. We have achieved and obtained a very valuable business affiliation with *The Magnetizer Group*, and now our goals are set to be undertaken with great spirit and effort. With all this in mind, we have our work cut out for us. We give our profound thanks and appreciation to *The Magnetizer Group* officers and their superb team of representatives for devoting their hard work and effort in finalizing this deal, and to everyone who contributed in making this business affiliation possible.

For any general information you wish to obtain concerning this announcement, please put your request in writing to: Sharp World Communications, Inc., c/o: Public Affairs, 980 North Michigan Avenue, 14th Floor, Chicago, IL., USA 60611 Telephone: 1(312) 509-8540. For Press Releases contact either Sharp World Communications New York Regional Office at 1(212) 330-8398, or The Magnetizer Group, Inc. at 1(215) 766-8660. Thank you.

UK NEWS

Lloyd's investors count the cost of their Names

By Tim Burt

LLOYD'S of London, the world's oldest insurance market, has been shaken by results which has seen many of its financial backers suffering large losses.

These are the so-called Names: wealthy individuals who back Lloyd's underwriting syndicates under a unique system of unlimited liability.

The market differs from large companies because it relies on members to underwrite claims and does not maintain the large reserves held by corporate insurers.

Only wealthy investors can afford to become Names. Lloyd's regulations require minimum assets of £250,000 excluding main residences and a 30 per cent cash deposit, or security on premiums they underwrite.

The investors can normally rely on large profits. But many Names have been stung in recent years by the spate of natural and man-made disasters such as Hurricane Hugo in 1989 and the Piper Alpha oil rig fire in 1988.

Lloyd's last made a loss in 1967 and yesterday's figures are expected to be a forerunner to worse results for 1989.

Discontent at the prospect of large-scale losses has prompted Mr David Coleridge, the chairman of Lloyds, to set up a commission under Mr David Rowland, chairman of Sedgwick, the insurance broker, to recommend alternatives to the present structure.

The commission's options include the abolition of unlimited liability or the conversion of the Lloyd's market into a limited company with Names becoming shareholders.

Marine syndicates bear the brunt of losses

Richard Lapper on the impact of the latest results on the London market's investors

LLOYD'S marine syndicates will bear the brunt of the insurance market's overall loss of £509.67m for 1988 which was announced yesterday.

Anxious names, the individuals whose wealth backs underwriting in the market, filed in to yesterday's annual meeting in London to hear of the record loss – only 10,000 of the 26,500 names can expect a profit from the 1988 underwriting year.

Catastrophe losses, increased reserves against future claims arising from US pollution, and fierce price competition resulting in low premium rates were the main features of the result, the first time Lloyd's has recorded a loss since 1967.

Marine syndicates were hit by heavy claims from the Piper Alpha oil rig disaster in July 1988.

As a whole syndicates increased their reserves against future US pollution claims – which often arise many years after the inception of a policy – by a total of £577.7m.

Overall underwriting losses amounted to £549.24m, reduced to £509.7m after deduction of investment income and expenses to £509.67m.

Net premium income declined to £3.71bn compared with £4.19bn in 1987, reflecting softness in rates in the specialised commercial insurance and reinsurance in which Lloyd's specialises.

Between them Lloyd's marine syndicates registered underwriting losses of £609.4m (£146.9m in 1987) and a loss after investment income of £561.3m (£261.9m), an amount equal to more than half the net premium income earned by the sector of £1,263.5m (£1,486.9m).

Names on four marine syndicates specialising in catastrophe insurance – Rose Thomson Young 255, Gooda & Partners 298, Cuthbert Heath Underwriting 1084 and Feltrim Underwriting 540 – were among the hardest hit.

Each was badly stretched by the Piper Alpha claim.

ACCORDING to Mr John Rew of Chatset, which analyses Lloyd's results, Names on all four syndicates can expect to pay at least £10,000 for each line of £10,000 committed, with those on syndicate 255 being asked to find £23,000.

Inadequate reinsurance protection was the common theme in each of the four syndicates' difficulties, Chatset suggests.

A number of marine syndicates were also hit by pollution and asbestosis claims stemming from so-called "incidental non-marine" business written as long ago as the 1950s.

Chatset cites losses of Janson Green syndicate 932 (27 per cent of permissible premium income), Wellington 445 (25 per cent), Secretan 367 (23 per cent) and Wellington 406 (58 per cent).

By contrast, underwriters in the non-marine, aviation and motor markets all registered profits despite the persistence of fierce price competition and very low premium rates.

Non-marine, a broad-ranging category including fire, fine arts, bloodstock and liability insurances, recorded a profit of £149.3m on net premium income of £1,583.8m.

Aviation insurers made profits of £154.2m on net premium income of £320.9m, while Lloyd's 36 motor insurance syndicates registered profits of £102m (£80.1m) compared with net premium income of £546.5m. Even so several non-marine syndicates recorded poor results.

According to Mr John Wetherell, chairman of the Lloyd's Underwriters' Non-Marine Association, the latest results had been tarnished by a very considerable increase in reserves against future pollution claims.

Names are also being hit by an escalating number of cash calls relating to 1989 and 1990 losses.

These are expected to include losses from Hurricane Hugo in November 1989 of $4bn and the British winter storms of January 1990 of $5bn, which have had a devastating impact.

Lloyd's overall losses in 1989 are expected to be at least £1bn. A number of heavily exposed syndicates are already calling for cash to meet claims.

According to Chatset these are currently running at a rate "in excess of £300m".

CBI defends large pay rises for managers

By Michael Cassell

CRITICISM OF the recent spate of large pay rises for company executives was rejected by the Confederation of British Industry yesterday, putting it at odds with Mr John Major, who has opposed big increases.

The employers' organisation dismissed the onslaught by MPs and union leaders as "the politics of envy" and stressed that British directors remained well down the international league of top salaries.

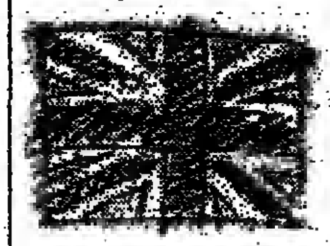
With ministers embarrassed about some of the pay awards granted to newly-privatised utilities, Mr John Banham, CBI director general, said he had "no problem at all" over the 58 per cent pay rise awarded Mr John Baker, chief executive of National Power, the electricity generator.

He added: "Envy is a sad emotion to watch and demeaning to the people exercising it."

Mr Banham produced figures to show that executives of leading power generating companies in Germany will still be earning on average up to 50 per cent more than Mr Baker.

On Tuesday, the prime minister condemned the pay rise and said he had opposed excessive increases for executives.

BRITAIN IN BRIEF



EC will be kept aware of ICI bid

Mr Peter Lilley, trade and industry secretary, said that if Hanson, the Anglo-American conglomerate, bid for ICI, he would give the European Community's competition authorities a "fully and carefully considered expression of our understanding of the facts".

Speaking before a House of Commons committee he said that in the event of a bid, the director-general of Fair Trading would "gather views on competition and other matters" which would form the basis of the government's advice to Brussels.

'Maguire Seven' are cleared

Britain's appeal court has cleared an Irish family who served long jail terms for running an Irish Republican Army (IRA) bomb factory.

The "Maguire Seven" were jailed in 1976 after being convicted of making bombs for an IRA campaign on the British mainland two years earlier.

They served sentences of between four and 14 years and then began a long battle to overturn the convictions. Britain's director of public prosecutions ruled that the convictions of the Maguire family for possessing explosives were unsafe and unsatisfactory.

Steel council to be wound up

The British Iron and Steel Consumers' Council is to be wound up on July 31 due to a declining workload and the withdrawal of two big member organisations.

Mr John Safford is to retire on the same date after 14 years as director of the council. With the European Commission's much less interventionist approach to the steel industry, and British Steel no longer in the public sector, the work involved in representing British steel users' interests is much reduced.

Also the Federation of Civil Engineering Contractors refused to pay a subscription in line with its members' steel usage, and the British Constructional Steelwork Association (BCSA) is resigning for financial reasons.

Willis urges maternity rights

Mr Norman Willis, general secretary of the Trades Union Congress said he would be urging unions throughout the European Community to launch a co-ordinated campaign on the granting of full pregnancy and maternity entitlements for pregnant women. The British government is opposing such n move.

Crime occurs every 7 seconds

A criminal offence is committed in England and Wales every seven seconds, according to Home Office figures. A total of 4,714,200 crimes were recorded by police during the 12 months to the end of March.

One in every 42 homes was burgled. Every week there were five burglaries for every 10,000 dwellings.

Travel group returns wages

Pickfords Travel, which earlier this year cut pay by 7.5 per cent for over 2,000 staff in its travel agency business, has had to pay back wages to two employees after their union threatened to take legal action against it.

Computer fraud on rise

More than £1m was lost through reported computer fraud in the past three years, and tighter security measures could have prevented most of it, according to the latest Audit Commission survey.

The absence of basic controls and safeguards is making the problem much worse than it need be, says the survey of computer fraud and abuse for the three years ending 1990. More than 1,500 private and public sector organisations responded to the survey.

Power workers accept offer

Trade union representatives of Britain's 70,000 power workers have decided to accept an 8.9 per cent pay offer despite a very small majority of their members voting in favour of strike action in protest at the offer.

Mr Eddie Newall, chief negotiator for the unions and GMB national energy officer said that the strike ballot had given such a small majority for strike action that the unions would not have been able to run an effective dispute.

Investment hits record levels

Inward investment by foreign companies into the UK has reached record levels this year despite difficulties caused by the recession, Gulf war and political uncertainty in eastern Europe.

The US, Japan and Germany, continued to see the country as a favoured location, but there has also been increasing interest from smaller countries in Europe and Asia. 350 direct investment projects by foreign owned groups were recorded in the year to March 31.

MPs condemn death sentences

Capital punishment sentences passed in Kuwait have been condemned by MPs. The debate came as Kuwait commuted some sentences to life imprisonment.

Mr Douglas Hurd, the foreign secretary, also warned Israel that the continued building of settlements in the occupied territories was "one of the major obstacles" to peace in the Middle East.

Mr Gerald Kaufman, the Labour party foreign spokesman, urged Mr Hurd to tell Kuwait that "those of us who were most determined that Kuwait should be liberated are among the most sad and worried at the capital sentences being passed".

Douglas Hurd: warned Israel

UK NEWS

Thatcher blasts away Tory party consensus on EC

By Ivo Dawnay, Political Correspondent

MRS MARGARET Thatcher, former UK prime minister, yesterday ripped away the delicate Tory consensus over the forthcoming European summit by warning that the Treaty revisions under discussion represented "the greatest abdication of national power and sovereignty in our history".

Her intervention in the pre-summit House of Commons debate also pressed the government to reject outright any Treaty of Rome changes leading to a single European currency.

And she went on to register forthright opposition to any extension of majority voting in the Community's council of ministers. "I enggest we are very careful before we consider extending majority voting any further," she said.

"That fact is that majority voting means we give the Community the right to impose on the British people laws which this House, its elected representatives, may fundamentally disagree with."

Her fiery speech in the debate, just two daya before the start of the European summit, in Luxembourg was liberally dosed with pledges of full support for Prime Minister John Major, her successor, and Mr Douglas Hurd, the foreign secretary.

But it served only to emphasise the argument, made only minutes before by Mr Gerald Kaufman, the shadow foreign secretary, that tha Conservatives still harbour serious disagreements on how far the government should go towards European unity.

Mrs Thatcher implied that the country had already gone quite far enough. And she insisted that the Federalists' claims that powers would be devolved from Brussels to national governments was unacceptable.

"We chose what we devolve to the commnnity not the other way round,"she said to cheers.

On one substantive point, Mrs Thatcher set herself firmly at odds with government policy, now looking set to agree to treaty revisions so long as they are hedged with an option not to pursue the ultimate goal of a single currency.

She argued that the monetary union question should be confined to an entirely separate treaty from which the UK could opt out, rather than be taken in revisions to the Treaty of Rome.

Unless they were contained in a separate treaty, Britain would face a huge increase in financial demands to bolster structural funds needed to complete "convergence" between the community'e economies.

It could also have e serious impact on the Community's relations with eastern European countries seeking to join the community.

BR to report £20m deficit for past year

By Richard Tomkins, Transport Correspondent

BRITISH RAIL has plunged into an overall deficit for the first time in four years, the corporation's annual results, to be published next week, will show.

The figures are expected to show the previous year's overall surplus of £269.8m collapsed into a loss of nearly £20m in the year to March 1991.

The main factors behind the loss are a slump in BR's previously buoyant property profits and an increase in the operating losses on BR's ordinary railway activities.

The operating losses, however, are expected to be only a fraction of the £350m which union officials have been predicting and are unlikely to result in fare increases beyond the rate of inflation.

In the previous year a series of one-day strikes by the rail unions ended four years of steadily rising operating profits and produced a loss on ordinary activities of £26.4m. But property profits turned this into an overall surplus of £269.8m.

The latest results will show a bigger operating loss because BR's revenues have been badly hit by the recession.

The loss is still expected to be well below £100m, but this time there will be insufficient property profits to produce an overall surplus.

One comfort for the government is that InterCity and Railfreight, the two prime candidates for privatisation, are both believed to have weathered the downturn and remained in profit.

The overall losses will not produce big fare increases because BR's fares are controlled by the government, which has consistently ruled out real-term rises in recent years for political reasons.

Dutch railways, Page 3

European court ruling prompts UK to overhaul pensions

By David Lascelles, Banking Editor

THE GOVERNMENT yesterday promised to come forward with practical measures to create equal pension rights for men and women.

Mr Tony Newton, the social security secretary, told the House of Commons that the government was now considering how this could be done, both for occupational pensions provided by employers, and the state pension scheme, though he gave no time frame.

His statement was prompted by a landmark court case, Barber v Guardian Royal Exchange, in the European Court of Justice last year. The court ruled that pensions counted as pay under Article 119 of the Treaty of Rome which enshrines the principle of equal pay for equal work. Men and women could not therefore be treated differently, for example over the age when they qualified for a pension.

In this case, a man who was made redundant at the age of 52 was offered a deferred pension payable from his scheme's normal retirement age, but if he had been a woman he would have been entitled to it immediately.

Mr Newton said the government would be preparing legislation as soon as possible to require occupational pension schemes to comply with Community law. Ministers responsible for public service pension schemes would be looking at the implications of the Barber case for them.

However, there were big areas of uncertainty in the Barber jndgment which needed to be clarified. In particular, it was not clear whether it applied to benefits based on service before May 17, the date it was given.

Mr Newton said he was opposed to retrospection. It would be damaging to the economy. Forcing pension funds to top themselves up to provide equal benefits for men and women could cost £40bn to £50bn for the UK as a whole.

The government would seek clarification of the judgment by supporting a test case brought by the Coloroll group pension scheme in which it would argue that the judgment did not have retrospective effect. It was also lobbying other EC members and the Commission about the implications.

The government would shortly be issuing a discussion paper to stimulate debate on this whole subject, and only then would detailed proposals be put forward.

Tax officers raid Nissan UK headquarters ● dealers face legal wrangle ● Authorities use new powers

Japanese marque undermined by dispute

UP UNTIL mid-morning yesterday the main thing on the minds of Nissan's independent car dealers was how best to exploit the £300-£1,000 price cuts announced on Tuesday by Nissan UK (NUK), writes John Griffiths.

By noon, news of the Inland Revenne raids had swept like wildfire through a network facing one more in a series of blows to public confidence in the marque.

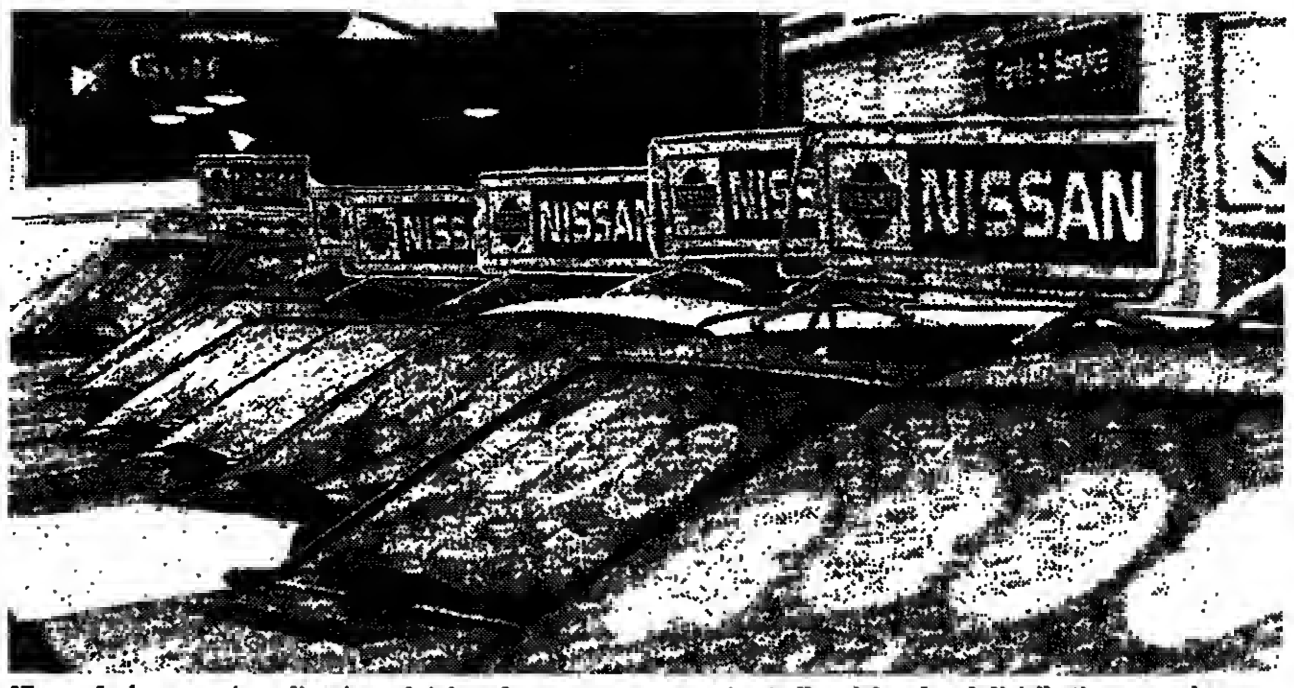
Independent dealers have been strident in voicing their dismay at the adverse impact on sales of a series of damaging disputes between Mr Octav Botnar's NUK and Nissan Motor.

These have already resulted in Japan's second biggest car maker declaring it will sever all ties with Mr Botnar, NUK and its associated AFG dealer group et the end of this year, and the launching of a so-far unsuccessful legal action by NUK to prevent it doing so.

The next stage of NUK's legal dispute with Nissan Motor will unfold on July 23, when the Appeal Court hears an appeal by NUK against two High Court rulings on the dealer network dispnte,one that the dispute ahould be settled by arbitration in Japan, the other refusing NUK an injunction against Nissan. The Japaneae manufacturer decided to set up its own dealer network, Nissan Motor (GB) from January 1, after a series of rows with NUK, most resently over pricing. NUK has accused Nissan of supplying its wholly-owned distributors on the Continent with cars et up to pounds 2,000 less per vehicle than paid by NUK. For its part, Nissan has accused NUK of itself setting retail prices too high.

In the High Court two weeks ago, Vice Chancellor Sir Nicolas Browne-Wilkinson, the senior judge of the High Court chancery division, ruled against NUK's application for an injunction on the grounds that there was "no trust or confidence" ramaining between the two companies.

He said he was aware of the "great damage" that NUK would suffer by his ruling. If it turned out that Nissan Motor had been "up to Machiavellian devices" to force NUK deliberately out of husiness, it would be "e great injustice". Until the facts were known it would be impossible 'to dacide where blame lies'.



Nissan dealers are struggling to maintain sales as concern mounts at alleged fraud and distribution wrangles

Investigators rely on tough tax code

INLAND Revenne investigations into the motor trade in the past have focused on the bonnsee and other rewards paid to sales staff, tax experts said yesterday, writes Richard Weters.

Advisers who are not connected with the Nissan UK case said that the Revenue had taken an interest in the various disguised "rewards" to sales staff which could be used to escape tax, such as "sales conferences" convencd in exotic overseas locations.

Another concern has been the incentives paid to managers of company car fleets to encourage them to buy from a particular dealer.

Given the large scale of the suspected frand surrounding Nissan UK, though, it seemed unlikely yesterday that the Revenne investigation only involved such practices, unless they stretch back many years.

Section 20(c) of the Taxes Management Act, under which the Revenue raids yesterday were mounted, has been available only since 1989. It was introduced as an amendment to the 1970 Act as part of the revamp of the tax authorities' powers instigated by the Keith Committee in the early 1980s.

The section is the toughest in the tax code, giving the Revenue powers to search premises and call for documents from companies and their advisers.

"They are the most sweeping powers available. They are not used very often," said Mr Noshir Avari, a former Inland Revenue senior investigator.

Botnar fails to find shadow under Rising Sun

FOR a secretive, private man who abhors personal publicity Mr Octav Botnar has dire problems in keeping himself out of the public spotlight.

The sudden visit by investigating officers of the Inland Revenue to the 77-year-old entrepreneur's home in West Sussex, south England adds dramatically to the burdens he is already confronting in his pitched legal battle with Nissan Motor, Japan's second largest car maker, as he fights for the survival of his business.

Controversy has dogged his steps in recent years, as the conflict with Nissan Motor has become more public.

At the age of 77 Mr Botnar still sits astride one of the biggest and most profitable private businesses in the UK.

As chairman and managing director of both Nissan UK Holdings and Automotiva Financial Group Holdings he remains in autocratic control of companies that had e combined pre-tax profit in 1989/90 of £142.6m on a turnover of £1.76bn.

AFGH includes the biggest UK car retailing group, hitherto dedicated exclusively as e new car dealer to Nissan vehicles, and one of the biggest UK finance companies.

NUKH includes most importantly Nissan UK, which is the holder of the sole concession in the United Kingdom for the distribution of automotive products manufactured by Nissan Motor in Japan, Spain and the UK.

Nissan UK made a pre-tax profit of £67.1m on a turnover of £800.5m in its last financial year.

It had a workforce of 246, implying that the Nissan franchise generated a pre-tax-profit of £273,000 per employee.

NUK sold 128,000 cars and commercial vehicles in the 1989/90 financial year, and Nissan accounted for more than 5 per cent of UK new car sales in 1990.

AFGH claims to be the largest automotive retailer in Europe with 160 new car dealerships – currently all selling Nissan vehicles – and an additional 20 used car sites.

AFGH increased its pre-tax profit in 1989/90 by 17.3 per cent to £74.6m on a turnover of £947.6m.

Mr Botnar increased his total salary from the two groups by 34.2 per cent to £545,000 from £406,000. Last year NUKH paid the total salary of £545,000, while a year earlier NUKH paid £206,000 and AFGH £200,000.

The ultimate majority ownership of NUKH is held by European Motor Vehicles Corporation, registered in Panama, which has a 71.5 per cent stake, while a stake of the same size in AFGH is held by GF International Investments and Finance, registered in the Bahamas. NUK says that both NUKH and AFGH are controlled by the same group of trustees of a settlement made by Mr Botnar with his shares in 1974.

The main personal shareholder in both NUKH and AFGH is Mr Michael Hunt, Mr Botnar's long-time associate, and an executive director of both companies. His home in Hove was also raided yesterday.

He has 10.6 per cent beneficial and 4.5 per cent non-beneficial holdings in both companies. Mr Hunt's beneficial dividend payment totalled £2.1m in the companies' last financial year and £6.4m a year earlier.

Mr Botnar took on the franchise for importing and distributing Nissan vehicles – then sold under the Datsun name – in the UK in 1969.

At the time Japanese cars were more a subject of easy jokes, rather than competitors to be respected and feared.

He is a short, stocky man with a round smiling face, but a reputation in the industry for ruthlessness and arrogance.

A West German national by passport, he was born in 1913 in the Carpathian mountains in the region of Bukovina, then a part of the Austro-Hungarian empire and now an area straddling northern Romania and the southern Ukraine.

A fluent German and French speaker whose English is still heavily German-accented, he moved to Austria as a child and says that he fought in the French resistance in the second world war. He arrived in Britain in 1967 from the motor business in West Germany, to reorganise the UK concession of NSU.

Mr Botnar, together with e couple of colleagues from NSU including Mr Michael Hunt, still his right-hand man, has built the Nissan franchise (renamed from Datsun) from sales of only 1,900 in 1970 to more than 148,000 in each of the peak years of 1988 and 1989.

Mr Botnar's success in building Nissan car sales in the UK helped to persuade the Japanese car maker in the early 1980s to build its first European car plant in the UK.

Kevin Done

MANAGEMENT: Marketing and Advertising

The prescription for a single market in drugs

Clive Cookson explains EC moves to unify rules on the licensing, pricing and advertising of pharmaceutical products

The EC is moving on a broad front to introduce a single market in pharmaceuticals – one of Europe's most fragmented consumer industries. A barrage of draft directives, now being considered by the European Parliament, will begin to unify the disparate rules on drug licensing, pricing and advertising.

The fragmentation results from deep-rooted differences in national attitudes to medicines. In southern Europe, the pharmaceutical industry operates within tight government controls which keep prices low and allow very few drugs to be dispensed without a prescription. In northern Europe, prices are higher and more drugs can be sold "over the counter" (OTC).

Genaral advertising of prescription-only drugs is banned throughout Europe; they can only be advertised to doctors through medical publications. Consumer advertising is restricted to OTC drugs – and is therefore more highly developed in northern Europe.

Figures published in OTC News, a trade publication, show that annual spending on consumer drug advertising is about £90m in the UK, DM900m (£306.1m) in Germany and FFr700m (£70.28m) in France.

At tha other extrema is Greece, where all medicines are officially prescription-only and no consumer advertising is permitted. (In practice more drugs are available over the counter in Greece than in most other European countries, as the pharmaceutical trade journal *Scrip* says, "because of poor observation of the rules by pharmacists".)

The EC did not propose the "Directive on Advertising of Medicinal Products for Human Use" as part of its drive to strengthen Europe's consumer protection legislation. Its purpose, rather, is to harmonise national laws "in so far as differences in the specific rules relating to this form of advertising limit the free movement of pharmaceuticals".

Even so, the European Consumers' Organisation want to use the directive to place new restrictions on pharmaceutical advertising. When the European Parliament's Economic and Monetary Committee considered the draft directive in February, socialist MEPs tried unsuccessfully to amend it to ban the advertising of medicines on radio and television throughout Europe. At present, broadcast advertisements are permitted everywbere except Belgium and Denmark.

But the committee did amend the directive to require the following minimum information on any pharmaceotical advertisement: name of product; information necessary for correct usage; restrictions; principal adverse reactions; possible interactions with other substances; any other special recommendations; and a recommendation to ask the doctor or pharmacist about risks and side-effects.

The pharmaceutical industry argues that it would be impractical to include so much information in an advertisement. Research commissioned by the Proprietary Association of Great Britain (PAGB), the body representing OTC manufacturers in the UK, and carried out by Taylor Nelson last year, showed tbat consumers are confused when advertisements carry large amounts of information – they fail to take in the basic message of the product's name and what it is for.

The industry's lobbying succeeded when the directive received its first reading at the full European parliament on June 12. MEPs rejected the economic committee's "minimum information" amendment.

However, tha parliament accepted amendments requiring advertisements to carry the statement: "Any madicinal prodnct can ba dangerous if used incorrectly – consult your doctor" and another telling consumers to read the information label on the medicine carefully.

The PAGB supports the "Read the label" requirement but believes that the statement referring consumers to their doctors "contradicts the current practice of responalble self-medication and is unnecessarily alarmist".

Another amendment, supported by the commission and strongly opposed by the industry, would prevent an advertisement mentioning symptoms. A cough or cold product, for example, could not be advertised by showing someone coughing or sneezing. SmithKline Beecham's Germolene advertisement (illustrated) would be banned because it showed a grazed knee.

The industry also opposes the directive's proposed prohibition on advertising drugs that are banned by the International Olympic Committee because they enhance athletic performance. "Two or three of these drugs have been used perfectly safely for many years in cough and cold preparations," says Simon Pulsford, general manager of SmithKline Beecham's UK health care business. Phenylephrine decongestant is one example.

Apart from the content of drug advertisements, another controversial feature of the directive is how drug advertising should be controlled. At present most European countrias use statutory health anthorities to vet advertisements before publication.

But in three countries, including the UK, the industry vets its own advertising. In the UK the PAGB scrutinises 4,000 advertisements a year before publication or broadcasting, to ensure that they comply with the product licence, Medicines Act and all the relevant advertising codes of practice.

The Advertising Standards Anthority says that only eight complaints against pharmaceutical advertisements have been upheld over the last 15 years.

Althongh soma MEPs wanted statutory pre-publication vetting throughont Europe, the PAGB seems to have lobbied sncessfully for self-regulation to continne.

The advertising directive covers not only consumer advertising of OTC drugs but also medical advertising of prescription drugs to doctors. That combination "caused a lot of confusion among MEPs," says one lobbyist. "I felt very sorry for them."

The prescription drug industry, represented in the UK by the ABPI, did win an amendment that would enable pharmaceutical companies to continue paying for scientific and medical conferences in which hospitality is "subordinate to the main scientific objectives". In its original form, the directive would have banned such sponsorship – which funds 40 per cent of postgraduate medical education in the UK.

The directive moves next to a working party of the Council of Ministers, where a lot of new amendments may be tacked on. Observers say it is unlikely to take effect before late next year.

Looking beyond the current lobbying over the directive, some people in the prescription drugs industry are concerned that, whatever its precise wording, it will restrict their long-term intention to communicate more directly to consumers.

Ernest Mario, chief executive of Glaxo, is particularly keen on "direct-to-consumer advertising". His company ran a successful US television campaign, urging people with peptic ulcers to consult their doctors instead of keeping the symptoms under control with antacid from the local drug store. Although the advertisements did not carry the name of Zantac, Glaxo's anti-ulcer drug, they boosted its sales because doctors prescribed it.

Advertising of this sort, which alerts people to new treatments and encourages them to seek medical attention, without mentioning a specific drug, will probably be allowed under the new EC directive (though its wording is not very clear on the point).

But the directiva will undonbtedly ban spacific advertising of prescription drugs. "I am not suggesting that Europe's airwaves should immediately be filled with brand-name advertisements for prescription drugs," Mario says.

Even so soma of his colleagues believe that, as European health care becomes more consumer-oriented, they will eventually want to tell patients directly about prescription drugs – instead of having to pass all information through the medical profession. "Within the EC, there is some recognition that the advertising directive is a conservative document for today, not a document for tomorrow," says Bob Jones, head of Glaxo's corporate policy unit.

An article on the impact of EC directives on the advertising industry was published on June 20.

Direct marketing industry

Still to get its act together

By Andrew Jack

Last November the UK's Advertising Association formulated standards for the direct marketing industry which it suggested should be complied with by July 1. But their introduction is likely to be delayed until the Advertising Standards Authority produces its own guidelines and both bodies can agree on them.

The ASA is still drafting its version of the code. It will be discussed by its council in July and again in early August. If approved, some believe it may be next summer at the earliest before it begins monitoring the direct marketing industry.

Officials involved in drafting the standards play down the delay. They argue that highlighting July 1 was simply a tactic to focus executives' attention – it was an approximate target date much as 1992 is for the completion of the EC's single European market.

If adopted, this code would be the ASA's second to monitor the administration of a campaign – the collection and use of personal data – as well as the content of the advertisement. The first, in 1975, controls sales promotions, which ensures, for example, that prize draws are run fairly.

For its part, the Advertising Association is requesting that each business must make clear how any information gathered from the public is to be used; respond immediately to any requests to stop sending "promotional mail"; and appoint a compliance officer to ensure that it meets these obligations.

The ASA is expected to follow the standards drawn up by the AA. These include:

● Only the minimum personal information should be gathered; the purpose of collection must be stated "transparently"; if it is to be used for a substantially different purpose, that must be stated and an opportunity to object provided; sensitive personal information should be requested only "with great care".

● Lists must be accurate, up-to-date and held securely; requests by individuals to correct information or remove their names must be dealt with promptly; when asked, companies must reveal the mailing list from which an individual's name was taken.

The current AA standards do not provide any mechanisms for policing, nor a central point to which the public can lodge complaints. The AA assumes that this work will be taken on by the ASA.

In addition, the standards have little effect on those direct marketing companies which are not members of any of the trade associations affiliated with the AA. The ASA, yet again, is expected to provide the legitimacy for any reprimand necessary.

Supervision by the ASA would use the principle of "substantiation"; advertisers are expected to be able to demonstrate that they are complying with the code. They are also encouraged to have mailings approved before launching any campaign.

Compliance

Those that fall short of the AA guidelines may be thrown out of their trade associations and lose the special bulk-mailing discounts of up to 30 per cent available from the Royal Mail vital to profitability.

An educational campaign run by the Direct Mail Services Standards Board has brought about widespread compliance. Colin Fricker, director general of the British Direct Marketing Association, says: "I have every reason to expect it has been successful." Martin Hall, direct marketing manager at the ASA, adds: "The industry is unrecognisable from what it was four or five years ago."

Not everyone is so confident, however. John Watson, chairman of direct marketing group WWAV, has launched a series of seminars for his clients and other interested groups. "I'm very keen on the code," he says. "But there has been very patchy adoption."

Both the delays and the pressure for completion are understandable. The industry is lobbying intensely against an EC draft directive on data protection, which threatens to restrict severely the use of personal data – so essential to direct marketing. One of the main ripostes by the industry is that it can regulate itself using this code, and does not need legislation to act responsibly. To prove its point, it needs strong guidelines in place.

On the other hand, it does not wish to alienate the ASA and end up with inconsistent codes across different government and industry bodies.

Funding the supervision of the code is still causing some concern in the industry. The annual cost is believed to be £1m, derived from a levy paid by advertisers based on the volume of mail they send out.

Additional money brought in under the monitoring arrangements would go to the Direct Mail Services Standards Board, which already scrutinises all direct mail received by a sample 1,350 households around the country. The Mailing Preference Service, which collects and circulates the names of anyone wanting to be removed from mailing lists, would also receive annual support.

Overall, the attempts at self-regulation have been well received. Two areas not covered by the code still need attention, however. Telephone marketers – a small but highly intrusive group – are excluded, although the British Direct Marketing Association is planning to establish a telephone preference service next year.

Secondly, companies – including many which sell holiday timeshares – use foreign postal services from countries such as Hungary, which offers large bulk-mail discounts and is outside the jurisdiction of the Royal Mail sanctions. A preference service for Europe-wide mail may be the first step to change that.

Whether the public will respond to the new initiatives remains to be seen, however. Liz Morris of Consumers in the European Community says: "We are very pleased the industry is taking a stand. The guidelines seem to be fairly effective on paper. But it's a case of funding and publicity; they can only work if the industry tells consumers about the safeguards."

Standards of practice in list and database management for direct marketing purposes. The Advertising Association, London. November 1990.

The Mailing Preference Service is at Freepost 22, London W1E 7EZ.

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OFFER DETAILS

The Offer	Offer for subscription of Ordinary Shares, with one Warrant attached to every five Ordinary Shares
Offer Price	100p per Ordinary Share
Number of Ordinary Shares to issue following the Offer (assuming full subscription)	60,000,000
Number of Warrants in issue following the Offer (assuming full subscription)	12,000,000
Minimum application	1,500 shares
Latest time for receipt of Application Forms	10.00 am on Wednesday 10th July, 1991

DIRECTORS, MANAGER AND ADVISERS

Directors	Sir John Adam Thomson, Chairman Patrick Antony Francis Clifford Nigel John Robson Eugene Harvey Rotberg David Edward Stuart	Solicitors to the Company and the Offer	Linklaters & Paines Barrington House, 59-67 Gresham Street, London EC2V 7JA
Manager, Secretary and Registered Office	Fleming Investment Trust Management Limited 25 Copthall Avenue, London EC2R 7DR	Auditors and Reporting Accountants	Price Waterhouse Chartered Accountants Southwark Towers, 32 London Bridge Street, London SE1 9ST
Sponsor	Robert Fleming & Co. Limited 25 Copthall Avenue, London EC2R 7DR	Registrars	Barclays Registrars Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Stockbrokers	de Zoete & Bevan Limited Ebbgate House, 2 Swan Lane, London EC4R 3TS Robert Fleming & Co. Limited 25 Copthall Avenue, London EC2R 7DR	Receiving Agent	Barclays Registrars New Issues P.O. Box 123, 8th Floor, Fleetway House, 25 Farringdon Street, London EC4A 4HD

INTRODUCTION

This mini prospectus describes briefly The Fleming Emerging Markets Investment Trust plc, the Offer and how to apply for Ordinary Shares (with Warrants attached). The Directors are satisfied that it contains a fair summary of key information drawn from the Listing Particulars dated 26th June, 1991 which alone contain full details of the Company's business. It is to be read in conjunction with the Listing Particulars, copies of which are available from the places referred to at the end of this document.

In applying for Ordinary Shares (with Warrants attached) you will be treated as applying on the basis both of the Listing Particulars and of the Terms and Conditions of Application set out on pages 6 and 7 of this document, which together govern your rights and obligations. Expressions defined in the Listing Particulars have the same meanings in this document. If you need advice, you should consult a stockbroker, solicitor, accountant or other financial adviser.

This document is not for distribution outside the UK nor should it be treated as an offer or solicitation outside the UK.

OBJECTIVE

The objective of the Company is to achieve capital growth through investment in emerging markets worldwide. Emerging markets are normally considered to be countries in the low and middle income brackets as categorised by the World Bank. There are around 135 countries in these categories, of which 42 have stock markets.

INVESTMENT POLICIES

The Company's investment policies are:

- to invest in a well-diversified spread of countries, industries and companies;
- to invest primarily in quoted securities in emerging stock markets but, where necessary or appropriate to the absence of suitable quoted securities, to invest in unquoted securities;
- to invest in other collective investment schemes, but usually only where legal restrictions prevent direct investment by foreigners or prudent diversification can best be achieved in this way; and
- to conduct its affairs so as to achieve and maintain approved investment trust status in the United Kingdom.

The Company's portfolio will not concentrate on or specialise in any particular geographic region or group of emerging markets. The largest part of the world's emerging stock markets by value is found in the Far East. However, it is intended that no more than 50 per cent. of the Company's assets will be invested in any one region and that its initial portfolio will be invested principally in the following countries:

Latin America: Argentina, Brazil, Chile, Mexico, Venezuela.
Asia: India, Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand.
Europe: Greece, Portugal, Turkey.

The principal countries in the Company's portfolio will vary over time and are likely in the future to include further emerging markets in addition to or instead of those above.

The investment policies set out above will be adhered to for at least three years.

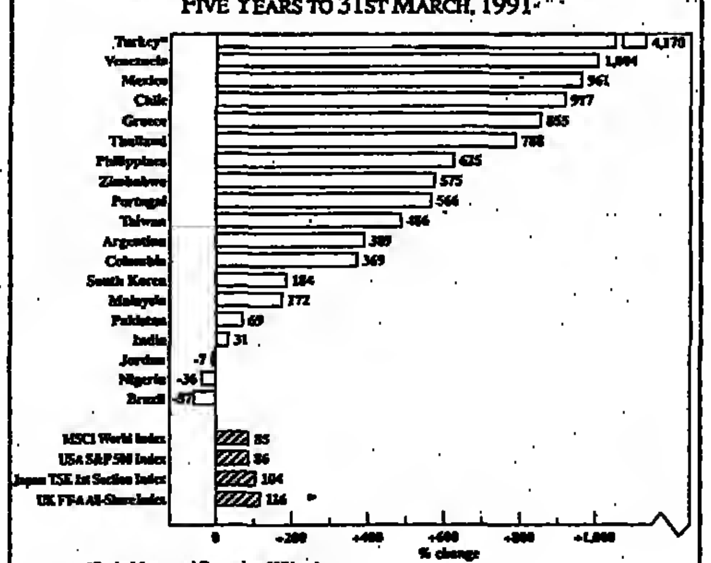
INVESTING IN EMERGING MARKETS

The following are the main attractions of investing in emerging markets.

1. Since 1965 the economies of emerging markets have, taken overall, grown faster in real terms than those of developed countries.

2. Most emerging stock markets have outperformed the developed world's major stock markets over the five years to 31st March, 1991. (See chart below which shows the total returns (capital growth with net income reinvested) in US dollar terms of selected emerging markets compared to those of developed markets.)

PERFORMANCE OF SELECTED EMERGING MARKETS FIVE YEARS TO 31ST MARCH, 1991



*Period from end December 1986 only
Source: International Finance Corporation
Source: Datastream

3. The average valuation of emerging stock markets appears reasonable given their potential for economic and corporate profit growth.

4. Many emerging stock markets have small aggregate values in relation to the size of their economies.

5. The Directors believe that the number of investment opportunities in emerging markets should grow because of the trend in many countries towards privatisation, free-market economic policies and greater use of stock markets by companies to raise finance.

6. Foreign holdings in emerging stock markets are small and are expected to increase during the 1990s. The Directors believe that this should benefit the performance of those markets.

DIVIDEND POLICY

ADVANTAGES OF AN INVESTMENT TRUST STRUCTURE

CONTINUATION OF THE COMPANY

DIRECTORS

MANAGER AND SECRETARY

MANAGEMENT FEE

SAVINGS PLAN

PERSONAL EQUITY PLANS

date. After 15th August and until 23rd August, 1991 only Ordinary Shares (but not Warrants) may be transferred into a PEP by a normal stock transfer form. In addition certain PEPs are subject to a 7-day cooling-off period before the first investment can be made.

Special arrangements have been made by the Manager of the Company for the renunciation by 7th August, 1991 of either 3,000 or 6,000 Ordinary Shares with Warrants into the Fleming Investment Trusts Personal Equity Plan without any initial or dealing charges.

The information above about PEPs is based on the law and practice currently in force and is subject to changes therein.

INVESTMENT TRUST STATUS

The Directors intend to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust under current tax legislation. The Company will be exempt from UK corporation tax on capital gains in respect of each accounting period for which such approval is granted.

THE WARRANTS

Successful applicants (or their renouncees) will receive one Warrant for every five Ordinary Shares held. A Warrant will confer the right to subscribe for one Ordinary Share at 100p on 1st December in any of the years 1993 to 1998 (inclusive), subject to adjustment in certain circumstances.

THE OFFER

The Company is now offering for subscription up to 60,000,000 Ordinary Shares (with Warrants attached) at 100p per share, payable in full on application, in order to raise approximately £58.4 million, net of expenses and assuming full subscription. The Directors are aware of intended applications for a total of 41,711,778 Ordinary Shares (with Warrants attached) and up to a further 3,288,222 Ordinary Shares (with Warrants attached) dependent on the level of public applications. These Ordinary Shares (with Warrants attached) will be allotted in full and have been fully underwritten. The remaining 15,000,000 Ordinary Shares (with Warrants attached) are available for subscription by the public and have not been underwritten.

The minimum subscription is for 1,000 Ordinary Shares (with Warrants attached).

The Ordinary Shares and the Warrants are expected to be quoted on The Stock Exchange. Until 14th August, 1991 dealings will be in multiples of five Ordinary Shares (with Warrants attached). Thereafter, Ordinary Shares and Warrants will be dealt in separately and in any number.

RISK FACTORS

Prospective investors should be aware that the value of shares and the income derived from them can fluctuate. In addition, there is no guarantee that the market price of shares in investment trusts will fully reflect their underlying net asset value.

Warrants have the potential for higher capital appreciation than shares but at the same time their market price is liable to increased volatility and there is a risk that they may become valueless.

Although it is intended that the Company's portfolio will be diversified across a wide range of countries and companies, investors should be aware of the risks associated with investing in emerging markets. Many emerging markets, and the companies quoted on their stock exchanges, are exposed to the risks of political instability, rapid rates of inflation and currency depreciation and fluctuations that may affect the Company's income and the value of its investments. Exchange controls and balance of payments difficulties may restrict the repatriation to the UK of capital and income.

In addition, in many emerging markets the marketability of quoted shares may be limited due to wide dealing spreads, the restricted opening hours of stock exchanges and a narrow range of investors. Volatility of prices can be greater than in more developed stock markets. Companies in emerging markets are not always subject to accounting, auditing and financial standards which are equivalent to those applicable in more developed countries and there may also be less government supervision and regulation.

There can be no guarantee that the Company's objective will be achieved.

CONCLUSION

The Directors believe that the potential for economic growth in developing countries, combined with the relative under-development of their stock markets, should provide the Company with attractive opportunities.

TIMETABLE

LATEST TIME FOR RECEIPT OF APPLICATION FORMS	—10.00 AM ON WEDNESDAY 10th JULY, 1991
Basis of allocation expected to be announced by	—10.00 am on Friday 12th July, 1991
Despatch of renounceable letters of allotment	—Monday 15th July, 1991
Dealings expected to commence in Ordinary Shares (with Warrants attached)	—Tuesday 16th July, 1991
Dealings expected to commence in Ordinary Shares and Warrants separately	—Thursday 15th August, 1991
Ordinary Share and Warrant certificates despatched by	—Friday 13th September, 1991

TERMS AND CONDITIONS OF APPLICATION

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the Underwriting Agreement referred to in paragraph 9 of Part 3 of the Listing Particulars becoming unconditional and not being terminated in accordance with its terms. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Ordinary Shares (with Warrants attached) than the number applied for, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application monies will be retained by Robert Fleming in a separate account.

2. The Company reserves the right to present all cheques and bankers' drafts for payment on receipt and to retain renounceable letters of allotment and surplus application monies pending clearance of the successful applicants' cheques.

3. By completing and delivering an Application Form you (as the applicant(s))—

(a) offer to subscribe for the number of Ordinary Shares (with Warrants attached) specified in your Application Form (or any smaller number for which the application is accepted) at 100p per Ordinary Share subject to the Listing Particulars, these Terms and Conditions and the Memorandum and Articles of Association of the Company;

(b)

(c)

(d)

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

ALL APPLICANTS SHOULD READ NOTES 1-5

from 1,500 to 10,000 shares	in multiples of 500 shares
from 10,000 to 50,000 shares	in multiples of 1,000 shares
above 50,000 shares	in multiples of 5,000 shares

NOTE 6 SHOULD BE READ BY JOINT APPLICANTS

INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS

AVAILABILITY OF LISTING PARTICULARS

APPLICATION FORM

IMPORTANT
Before completing this form, you should read the accompanying notes

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 5

I/We offer to subscribe for [ ] ORDINARY SHARES (WITH WARRANTS ATTACHED) SEE NOTE 1 **1**
in The Fleming Emerging Markets Investment Trust plc at 100p per Ordinary Share subject to the Terms and Conditions of Application set out in the Listing Particulars dated 26th June, 1991

and I/we attach a cheque or bankers' draft for the amount payable of £ SEE NOTE 2 **2**

PLEASE USE BLOCK CAPITALS

MR MRS MISS OR TITLE | FORENAME(S) (IN FULL) SEE NOTE 3 **3**
SURNAME
ADDRESS (IN FULL)
POSTCODE

DATED 1991 SIGNATURE SEE NOTE 4 **4**

PIN YOUR CHEQUE OR BANKERS' DRAFT FOR THE EXACT AMOUNT SHOWN IN BOX 2 MADE PAYABLE TO "ROBERT FLEMING A/C FEMIT" AND CROSSED "NOT NEGOTIABLE" **5**

BOX 6 MUST ONLY BE COMPLETED BY JOINT APPLICANTS (SEE NOTE 6)
PLEASE USE BLOCK CAPITALS

MR MRS MISS OR TITLE | FORENAME(S) (IN FULL) **6**
SURNAME
ADDRESS (IN FULL)
POSTCODE | SIGNATURE

MR MRS MISS OR TITLE | FORENAME(S) (IN FULL)
SURNAME
ADDRESS (IN FULL)
POSTCODE | SIGNATURE

MR MRS MISS OR TITLE | FORENAME(S) (IN FULL)
SURNAME
ADDRESS (IN FULL)
POSTCODE | SIGNATURE

705

INTERMEDIARIES CLAIMING COMMISSION SHOULD STAMP THE BOX BELOW.
STAMP OF INTERMEDIARY SRO AND MEMBERSHIP NUMBER

FOR OFFICIAL USE ONLY

SHARES ALLOTTED	I ALLOTMENT NUMBER	IV. AMOUNT PAYABLE £
COMMISSION CALCULATED	II SHARES ALLOTTED	V. AMOUNT RETURNED £
	III AMOUNT RECEIVED £	VI. CHEQUE NUMBER

BUSINESS LAW

'Home court' is best advantage

By Joseph Flom

EUROPEAN litigation, American style, is a daunting concept. American style litigation creates the spectre of potentially unlimited monetary liability – seemingly, and often actually, related to nothing except the whim of a small cross-section of local American citizens selected to be jurors.

The idea may cause most Europeans to shudder. Nevertheless, economic unification will probably force the European Community to rethink ways in which disputes are resolved among its citizens and with those of other nations.

As the European single market takes shape, so globalisation of businesses and cross-border merger and acquisition activity will proceed apace.

At the same time, other multinational activity will also increase as a result of the globalisation of businesses. This activity should result in an increase in litigation of a complexity and dimension never before experienced by most Europeans.

Not surprisingly, little attention appears to have been paid to the potential effects that the creation of a single market in 1992 will have on European litigation.

In Europe, unlike in the US, aggressive resort to the courts is socially discouraged, and arbitration, at least with respect to contractual relationships, is the preferred method of settling disputes.

In the US, "no win, no pay", contingent fee arrangements for plaintiffs' lawyers, the judicial award of fees in class (group) and derivative actions, and the availability of punitive and treble damages have created powerful incentives to rush to court at the slightest provocation.

A defendant rarely "wins" under the US system, where every case filed, no matter how weak, has the potential to inflict punishing costs and attorneys' fees, to distract management and drain other resources of a defendant.

In sharp contrast to US practice, contingent fee arrangements are illegal and even considered immoral in Europe; jury trials in civil cases are virtually non-existent and pre-trial discovery of documents is far more restricted; punitive damages are viewed with extreme hostility; and class actions, despite some recent sncroachment, are by and large not permitted. These differences, as well as the requirement that the losing party pay the winner's lsgal fees, are probably the strongest deterrents to litigation in Europe.

The distinctions between legal systems may well mean that the changes occasioned by the single market after 1992 will not produce the same litigation problems that prevail in the US. However, the integration of many different cultures into a single economic community, and the new business ties that will be forged both within and beyond that community, inevitably will have a significant impact on the process of resolving disputes.

Europeans are already discovering that economic alliances predominantly between citizens of the same nation previously governed by simple, short and concise contracts, are changing. In the new and borderless Europe, business relationships increasingly will be between strangers from different countries, causing a greater degree of complexity and suspicion; and local pressures to settle disagreements amicably will lessen.

All this is likely to be reflected in more detailed contracts and lead to more litigation.

Already there are ominous signs. One significant piece of legislative reform is the EC's product liability directive, which introduces an entirely new species of liability. The directive will impose strict liability for prodnct defects on manufacturers, distrihutors and retailers. Becausa the directive is extremely broad, product liability litigation in both Europe and elsewhere will undoubtedly increase.

Within Europe, the directive will permit each EC member to select different options, such as a monetary cap on liability, and a "stata of the art" defence. Prodnct dealers will be forced into foreign courts, where the law and local prejndices could affect the litigation. These disparities underline the importance of selecting tha right forum for bringing a legal action and will also encourage forum shopping.

As importers and distribntors, particularly those outside the EC, begin to appreciate the dimensions of their exposure to liability, they will being to insist on protection from manufacturers, through measures such as indemnification clauses in their contracts, and to re-examine their insurance coverage.

Planning for litigation will now become more of a priority for Europeans.

Emerging relationships between European and American firms will also force European firms to consider litigation strategies that once would have been unthinkable. As European and American companies continue to develop business relationships, or combine, the problem of resolving disputes in an unfavourable forum is compounded.

In contractual matters the risk that these disputes will force European companies to litigate in the US under American procedures can generally be managed in several ways. These include arbitration clauses, and provisions for forums and the choice of law which are routinely enforced by US courts.

But such provisions cannot cover the entire spectrum of dispntes that will arise between Americans and Europeans, and it would be unrealistic to suggest that they will be inclnded in every agreement. The parties to a mutually beneficial deal may be unwilling to forgo the relationship because they cannot agree on how or where possible disputes should be settled.

Thus, Europeans must consider seriously the increasing likelihood of litigation with a American opponent. US firms, schooled in aggressive resort to the courts, can be expected to seek every advantage to secure a favourable ontcome.

For most American firms, the ability to select a favourable forum within the US – the "home court" – will be the first and best advantage.

In the US, gaining the "home court" advantage can be extremely important; even where the litigants are both domestic US companies, because the substantive rights of the parties will often vary from jurisdiction to jurisdiction, and local prejudices cannot be ruled out.

The advantage of selecting a favourable forum can be magnified significantly when the dispute is between European and US companies. In such cases, gaining the "home court" can radically affect the costs, convenience, confidence and culture of the contest.

As e result, litigation can be decisively affected by the first move. For many US companies, the declaratory judgment procedure is a frequent and forceful opening salvo. In the US, this device enables a litigant in many cases to seek a declaration from a court of respective rights and liabilities before a controversy matures into a basis for a traditional action for damages.

Once an initial forum is selected using the declaratory judgment action, the US federal courts provide powerful ancillary remedies to prevent the choice of forum from being undermined by duplicative litigation elsewhere. Any other claims between the parties arising out of the controversy generally must be brought in the same court.

Under these circumstances, European apprehensions about litigation, and the American legal system in particular, ultimately may place European firms at a disadvantage when controversy threatens. Aggressive use hy European companies of declaratory judgment procedures, both in America and in Europe, may be necessary to level the playing field for European firms.

Apart from overcoming the reluctance to shoot first, European firms will be required to undertake an examination of available declaratory judgment devices as well as of ancillary mechanisms, such as injunctive relief, to ensure that they will not be deprived of the benefits of their forums once chosen.

Commencing an action without these assurances may merely duplicate costs, and thus result in the squandering of tactical advantage in the litigation game.

In the final analysis, as the world becomes smaller, and views of liability evolve, the EC may benefit from the US experience with litigation. It would be prudent to study carefully the advantages, as well as the disadvantages and abuses, of procedures in the US before moving too rapidly with reform.

The author is the senior partner of the New York-based international law firm Skadden Arps Slate Meagher & Flom.

FINANCIAL TIMES SURVEY

YUGOSLAVIA

Serbia sets the political agenda for the whole country, Page 3

A quest for power by the leaders of the six republics, Page 4

Thursday June 27 1991

The past, dominated by ethnic rivalries, has returned with a vengeance which threatens to pull the country apart. It will require an enormous political will and psychological leap by its leaders if Yugoslavia is to continue existing as a state, writes **Judy Dempsey**

Fragile unity crumbles

FOR nearly a century, the peoples of Yugoslavia have sought to keep this fragile and complex country together. When the kingdom of Serbs, Croats and Slovenes was established in 1918, there were endless arguments ebont how power should be distributed, and how a balance could be struck between centralists and federalists.

The political agenda then was dominated by mutual suspicion and rivalry between Croats and Serbs, the country's two largest ethnic gronps. Today, the past has returned to Yugoslavia, but with a vengeance which threatens to pull the country apart.

These political problems and ethnic antagonisms have never been far from the surface. They persisted during the Second World War, whose bloody and tragic events left an indelible mark on Serbs and Croats, and throughout the communist period.

During the latter era, these sentiments were held in check by the coercive instruments of the ruling communists, the authoritarian temperament of the late President Tito, and by tbe generous economic assistance granted to Yugoslavia by western governments and financial institutions.

But the main issues – particularly the relationship between *the centre and the republics* – are not that different from 1918, with one big exception; the way in which the unity of Yugoslavia is preserved, or *the manner in which* the country disintegrates, will have significant consequences for stability in the Balkans, and for western policy towards eastern Europe and the Soviet Union.

In spite of the country'a diversity of languages (five), alphabets (two), religions (three) and ethnic groups (12) – leaders of the Yugoslavs promoted one word which underpinned the political system: *jedinstvo*, or unity.

That word was e rallying call used by Tito in his break with Stalin in 1948. It was also used by Tito to justify the quashing by federal security forces of the nationalist movement in Croatia in 1971.

In short, the unity of Yugoslavia has been largely maintained through fear of an external threat, or by the use of force. The country has never been simultaneously democratic and united for any sustained period of time, a point perhaps lost on western governments who last week in Berlin at the Conference on Security and Co-operation in Europe appealed for unity to be preserved in Yugoslavia.

Today, that fractured unity is being preserved at the expense of the country's fragile democratic institutions. It will require enormous political will and a psychological leap by its leaders if Yugoslavia is to continue as a state, even if not in its present form or shape.

It is not certain that such qualities will greet the present proposals which are now on the negotiating table; or if those proposals can provide a basis for any shift in attitude. The proposals, drawn op by the presidents of Bosnia-Hercegovina and Macedonia, aim at reconciling two diametrically opposed plans for the country.

The repnblics of Slovenia and Croatia, who on Tuesday declared their independence, want a loose association of *sovereign states anchored* on a confederal model; the republics of Serbia and Montenegro want a strong centralist system in which Serbia would dominate the political and economic agenda.

The intransigence of both sides has precipitated ethnic violence, moves towards independence by Slovenia and Croatia, and the postponement of all economic reforms.

The Bosnian-Macedonian plan, which envisages a "community" of republics, makes one key point: if the state of Yugoslavia is to continue, then it must change fundamentally. It proposes that powers held by the federal government, which in any case is a now an emasculated institution, must be devolved to the republics.

However, the centre should retain a federal police force and army; in turn, the republics should retain their own armies. The *federal* army is likely to baulk at this idea because its future is dependent on preserving the status quo.

The proposals also consider dispersing throughout the country federal offices and services, which would weaken the influence of Serbia. But the authors of the proposals are wise enough to recognise that a state cannot function without a single currency, and full monetary union.

So far, the leaders of the four other republics have been sceptical. This is not surprising. These presidents do not want to be seen by their increasingly nationalist constituencies to be making compromises. Such political considerations, however, are starving the country of foreign investment, and contributing to the country's continuing fall in industrial output.

Over the past five months, output has fallen by 21 per cent compared to a fall of 23 per cent in 1990. The federal government this year is expecting an overall current account deficit of at least $1.5bn. Last year's current account deficit totalled $2.3bn. The trade deficit in goods, which last year totalled $4.5bn, is expected to be only marginally lower for 1991.

The government's forecasts for bringing inflation from 121 per cent in 1990 to under 70 per cent in 1991, appear ambitious.

Attempts to impose e tight monetary policy are undermined by several republican governments who regularly print money without authorisation by the National Bank of Yugoslavia.

The banking system is also seriously impaired by other problems. Bank balance sheets are loaded with bad debts to enterprises totalling $13bn. Individuals holding foreign exchange deposits of $12bn have had their confidence destroyed because of restrictions on withdrawals. The federal government's well-intentioned programme for implementing privatisation and providing generous conditions for attracting foreign investment has been blocked by all the republics.

Economic power now rests directly in the hands of at least four of the six governments which were democratically elected last year. All economic reforms have been placed on the backburner.

Human rights, particularly the rights of the ethnic minorities, are being constantly violated against a background of a wave of nationalism which is sweeping across some of the repnblics. That nationalism serves only to intimidate the ethnic minorities living in those republics; it also encourages them to seek union with their confrères across other repoblics' border. But no republic is willing to cede territory to another, at least not under the present political and economic circumstances.

Mr Markovic, the federal prime minister, and a committed Yugoslav, has the unenviable task of steering the country out of the crisis.

He believes economic assistance from the west will boost his economic reforms. He argues that an upturn in the economy will in due course promote political stability and reason.

It is hard to see how such a reasonable and rational approach will prevail in the light of growing irrationalism, and an unwillingness by Croatia and Serbia to compromise. It is hard to see how the present generation of political leaders will transcend their ethnic backgrounds, and divert their energies to create a democratic framework in which a new Yugoslavia can prosper.

The old Yugoslavia forged in war bas no future. A new Yugoslavia based on consensus is yet to be born. It may need a western midwife to ease the birth.

Meeting of the presidents of Yugoslav republics on June 6 1991 in Sarajevo

The country's leaders disagree ebout how to keep the Yugoslav jigsaw together

IN THIS SURVEY

Ante Markovic leads a government whose powers are being increasingly eroded

An irrepressible optimist speaks his mind

AGAINST all the odds, Mr Ante Markovic, Yugoslavia's prime minister, remains an irrepressible optimist. He runs a federal state without a budget, and without a president. He leads a government whose powers are increasingly eroded by demands for independence from the republics. He defends the Yugoslav state at a time when the country is plagued with ethnic violence, threatened by disintegration, and faced with economic bankruptcy.

He is prime minister of a country whose very future is in question.

And yet, he remains quietly confident that Yugoslavia can remain together. The question is in what form.

Perhaps this dogged optimism is fuelled by Mr Markovic's deep belief in the very existence of a Yugoslav state. For the moment, that belief is shared, and backed, by western governments whose support has given Mr Markovic a moral mandate to continue as prime minister.

But international support, and the prime minister's own conviction, cannot stem the calls for independence from the federation by the two western republics of Slovenia and Croatia, or indeed dilute the hatred between ethnic groups. Nor does it provide an incentive for foreign companies to invest in Yugoslavia.

However, Mr Markovic, prime minister since March 1989, but who has yet to seek a mandate through democratic elections for the federal parliament, is investing some hope in a recent series of meetings between the presidents of the six republics.

"It has been agreed to discuss the future relations [among republics] in Yugoslavia based on one specific proposal.

"The proposal is anchored on the principle of sovereignty of each republic. It also creates certain functions of a common state – a community which represents those republics," he explains.

Yugoslavia's beleaguered prime minister talks to Judy Dempsey and Laura Silber

He is, understandably, reluctant to speak about timetables, preferring instead to say that "the discussions will last for a long time".

If the negotiations break down, and if violence erupts again, the prime minister has the federal army at his disposal.

But he laughs about the idea of any military intervention. "I think that the question [about supporting a military intervention] contains a complete disbelief in our ability to solve our problems without the use of force or violence," says Mr Markovic.

"If this programme does not succeed, could we not create another platform instead of immediately relying on the army, and force. The federal government always has a reserve platform on standby."

Since January, the cycle of violence has become more frequent and more intense.

If ethnic violence were to erupt again, might not the prime minister be tempted to approve military intervention to prevent further bloodshed?

"That is quite a different matter. The federal government, and – if you have followed the situation – I personally at times have stated that we need an army in a role that, when needed, could operate like blue helmets [UN peacekeeping forces].

"That means it could potentially, or if necessary, prevent a civil inter-ethnic, or inter-republic war."

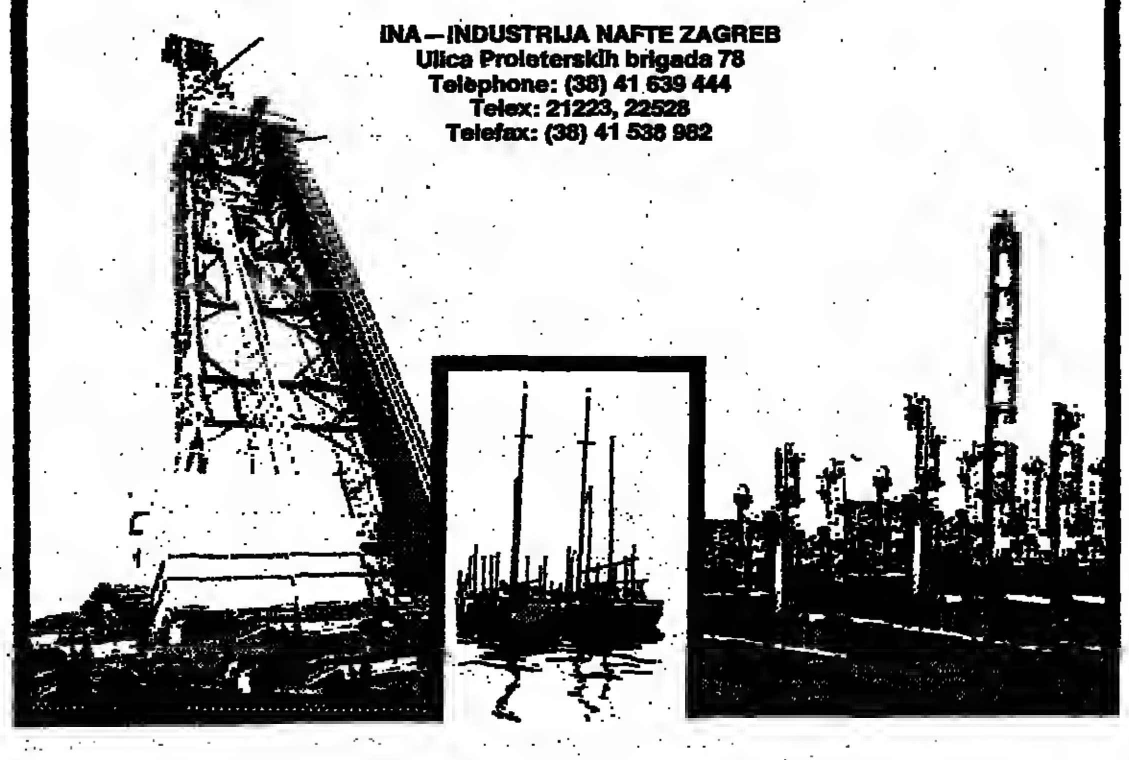
Mr Markovic appears to have a better relationship with the army, whose communist leadership, until recently, supported Mr Slobodan Milosevic, the president of Serbia.

Mr Vejiko Kadijevic, the defence minister, is often seen at the prime minister's side. The military is also represented in the co-ordinating council. Mr Markovic, however, is publicly keen to play down the role of that council, which was set up last month when the republics of Serbia and Montenegro failed to endorse Mr Stipe Mesic, a Croat, as president.

"[The council] exists to carry out the decisions of the presidency. It has no other ambitions... it is one of the usual forms which the prime minister has at its disposal to organise certain activities which must take place."

However, Yugoslav officials admit that the co-ordinating council has effectively replaced the collective presidency which rotated among the six republics and two provinces. Rivalry between the republics has succeeded in pulling out another plank from under the Yugoslav

Continued on Page 4



Judy Dempsey looks at the economy

Heading for a crisis

WHEN, in December 1988, Mr Ante Markovic took over what was then the largely politically insignificant post of prime minister, inflation in Yugoslavia was approaching 2,000 per cent a year, the foreign debt was more than $20bn, and the ruling communist party was struggling to maintain its monopoly on power.

Mr Markovic was determined to place the economy on a sounder footing with a tight monetary policy aimed at combating hyper-inflation and by reducing the country's hard currency debt, and limiting pay increases.

Thirty months later, inflation has been reduced. Last year it was 121 per cent. He hopes to reduce it further this year – to below 70 per cent. He will need a lot of luck.

Much depends on whether the dinar, the unit of currency, can stabilise at YD13 to DM1. In April, when it was devalued by 32 per cent, (from YD9 to DM1), the monthly inflation rate for May, as expected, rose by 6 percentage points to 10.9 per cent. In May 1990, inflation rose 0.2 points.

The inflation rate for the first five months of this year was 38.9 per cent, compared to 84.5 per cent over the corresponding period last year. But present trends indicate it will be difficult to hold inflation below 30 per cent for the next seven months because of what is taking place in the republics.

In some of the republics, for example, in Serbia, wages for the republic's work force have been paid through subsidies from the republic's budget, or by printing money.

In other republics, including Croatia, labour forces have not been paid since February, or have received reduced wages.

Many enterprises have neither the income to pay their labour force, nor the funds for investments which could boost exports. Throughout Yugoslavia, between 5,000-6,000 of 20,000 enterprises are insolvent. Their annual losses amount to 10 per cent of GDP.

The methods in which the republics have raised revenue, (to pay wages), or have increased budget expenditure (again, to pay wages), have tended to distort the inflation rate at the federal level. "In this context, the issue over wages and salaries is a lost story," said Mr Mitja Gaspari, the deputy governor of the National Bank of Yugoslavia.

In May, the inflation rates in the republics of Serbia (12.6 per cent), *Macedonia* (11.1 per cent) and Croatia (11.1 per cent) were higher than the federal rate (10.9 per cent). But it was lower in Bosnia-Hercegovina (9.2 per cent) and Montenegro (6.9 per cent). The differences suggest Mr Markovic's anti-inflation policy is being undermined by the republics.

Reducing the hard currency debt has, like the fight against inflation, yielded positive results.

At the end of the first quarter of 1991, the convertible debt (which includes all short, medium and long-term debt), totalled $15.3bn. Last year, the debt accounted for about 27.6 per cent of GDP, which amounted to $58.9bn.

Debt/service ratio for last year averaged 19.3 per cent, and 20.7 per cent for the first quarter of 1991. It is likely to increase because this year the federal government is faced with one of its highest debt repayments.

Under more favourable political and economic circumstances, the government might have been able to service this debt without too much difficulty. But this year, the government is facing what Mr Gaspari describes as "a serious balance of payments crisis".

For example, the government this year is expecting an overall current account deficit of at least $1.5bn. Last year's current account deficit totalled $2.3bn. The trade deficit in goods, which last year totalled $4.5bn, is expected to be marginally lower for 1991.

"The deficit is slowly decreasing," said Mr Srdjan Savic, the federal deputy minister for foreign economic relations.

Last year's high trade deficit, (and a smaller, but growing deficit in 1989), was largely due to the flood of imports caused by the overvalued dinar. The government tied the dinar to the D-Mark in December 1989 at the rate of YD7 to DM1.

Compared to 1988, total imports in 1989 rose by 13.1 per cent, to $15bn; and in 1990, rose by 17.5 per cent, to $18.8bn.

Over the same period, exports in real terms rose by 0.1 per cent to $13.5bn, fell in 1990 by 0.8 per cent to $14.3bn, (the higher value is a result of higher prices), and for the first four months of this year, fell a further 8.5 per cent.

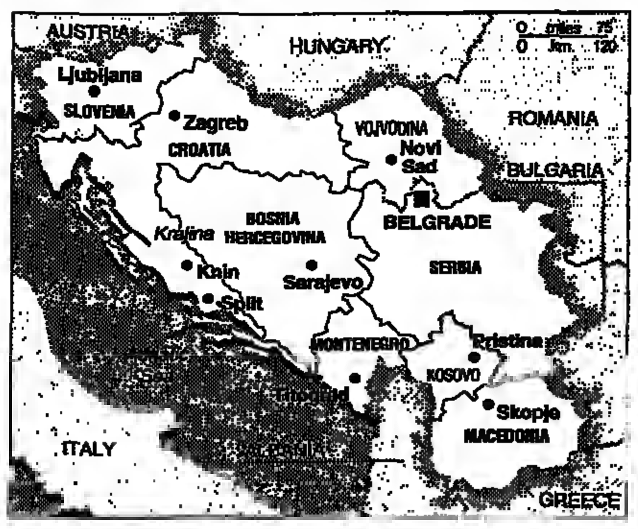
Industrial output last year fell by 23 per cent. For the first four months of this year, it declined by a further 19 per cent. Mr Savic says the decline is slowing down.

But Mr Stjepan Zdumic, a senior economist at the Economics Institute in Zagreb, Croatia, says any hopes in expecting an increase in output will be dampened by a complete standstill in investment. "Investments are now trailing well below depreciation," he says. Mr Gaspari points out that investments fell by about 10 per cent of GDP last year, and will fall a further *18 per cent this year.*

The absence of foreign investors gives little hope for improvement. "For political reasons, foreign partners are not coming to Yugoslavia. They are not financing exports into Yugoslavia. There is a crisis of confidence among foreign partners. Even letters of credit from our banks – some are liquid – are not being accepted. In that respect, exports will be lower this year. It will make our economic situation even more volatile," says Mr Savic.

Without any fresh inflows of foreign exchange, the government has three months of reserves to pay for imports and service part of this year's debt. Mr Gaspari says foreign *exchange reserves fell by* $2.2bn to $5bn. In August and September 1990, the reserves peaked at $10bn.

Without any external financing or credits, or prospects for political stability, the country is heading beyond a balance of payments problem. It is plunging towards an economic crisis.



KEY FACTS

Area .... 255,804 sq km
Population 23.7m
Average exchange rate .... 1991 $1 = YD22.03

ECONOMY	1989	1990
Total GDP ($bn)	62.3	58.9
Real GDP growth (%)[1]	+0.6	−7.6
Consumer prices (% growth)[1]	+1,255.7	+587.6
Earnings (% growth)[1]	+1,508.6	+406.3
Industrial production[1]	+1.0	−10.5
Convertible currency trade		
Current account balance ($m)	+2,010	−2,664
Trade balance ($m)	−1,452	−4,670
Exports ($m)	10,519	11,834
Imports ($m)	11,971	16,504
Convertible debt ($m)	17,320	16,541
Debt service ratio (%)	28.0	19.2
Reserves minus gold ($m)	4,136	5,474
Main trading partners (%)[2]	Exports	Imports
USSR	21.7	14.5
US	4.7	4.8
West Germany	11.5	16.9
Italy	15.1	10.6
EC	36.9	38.9

Notes: 1 Percentage change over corresponding period in the previous year. 2 The 1989 percentage share of total trade
Source: IMF, OECD, Yugoslav Federal Secretariat for Economic Relations, Economist Intelligence Unit, Datastream

BANKING

Enterprise culture

MITJA GASPARI, the deputy governor of the National Bank of Yugoslavia, longs for the *creation of* a truly *independent* central bank. But he will have to wait until the banking system is overhauled.

Yugoslavia's banking system is legendary for its ability to generate bad loans – and for the absence of independent supervisory or management boards. The way in which the system evolved explains why.

The 63 banks were founded by "socially-owned" enterprises, a nebulous term which placed the assets and ownership of the enterprise neither in the hands of the state, nor in the hands of the workers. Enterprises could not be bought or sold. The banks were to be financed from a percentage of the enterprises' capital.

This system meant that the founding members of the bank were drawn from the enterprises' managers who sat on the boards of the banks, and made loans to themselves. There were no checks or balances, and no system of accountability.

No wonder that when Mr Ante Markovic, the prime minister, decided to introduce a monetary policy aimed at curbing inflation and reducing the hard currency debt, the banks became nervous.

A confidential report, drawn np by Coopers & Lybrand Deloitte, the UK-based accountants, and *confirmed* by Mr Markovic, found that most of tha banks were illiquid. According to Mr Joze Mencinger, a professor of economics at the university of Slovenia, non-performing loans amount to $13bn.

Restructuring the banks carries heavy economic and political costs. Neither the federal government nor the National Bank of Yugoslavia (NBJ) has the reserves to capitalise the banking system or the political will to undertake reforms.

Any restructuring would first entail reducing the number of banks and, more important, breaking the incestuous knot between the banks and its founding enterprises. That latter act is politically sensitive. Many enterprises would collapse since they are still drawing credit from banks; it would lead to high unemployment; and the governments of the six republics would be undermined. A quarter of the country's 20,000 enterprises are either illiquid or insolvent.

Plans have been made to address the problem. Mr Gaspari says the National Bank of Yugoslavia (NBY) recently loaned YD15bn to the Federal Agency for Deposit Insurance and Bank Rehabilitation.

This agency was set up in 1989 under the supervision of State Auditing Agency, and the World Bank, to restructure the banks. First, the agency will temporarily purchase a specified amount of the banks' bad debts; the banks will buy bills from the NBY with funds obtained from the agency.

"That is only the first stage," says Mr Gaspari. "The banks must fulfil some of their obligations. They must stop giving new loans to the enterprises."

After that, Mr Gaspari says, the management and ownership structure of the banks will be tackled.

"Maybe we can partly solve the liquidity problem by debt-equity swaps," he argued, adding that he hoped foreign investors could buy into the banks, or set up pension funds which could invest funds in the banks and thus strengthen their balance sheets. "Ownership rights is the ultimate goal," he said. Without such reforms, Mr Gaspari believes the establishment of a central bank is impossible.

Judy Dempsey

FEDERAL FINANCE

In search of a budget

YUGOSLAVIA is a country without a federal budget. In the words of one prominent Yugoslav banker, "without a budget, there is no state".

The delay in reaching agreement over the budget has meant that a standby credit from the International Monetary Fund of $1bn, which would have facilitated additional financing of about $2.3bn, has been held back.

Yugoslavia has been without a budget because some of the republics could not agree on what percentage of the budget should be earmarked for the military. Nor could some of the republics agree on what contributions they each should make to the federal budget.

Even had agreement been reached, the federal government's finances would not have been solved. Some of the republics have withheld customs duties owed to the federal authorities.

This year's federal budget should have totalled YD160bn. It is normally financed from customs duties (about one third of total revenue); basic sales tax (about 55 per cent of total revenue); contributions from republics and provinces (about 8 per cent of total revenue).

Expenditure is divided between defence (42 per cent); subsidies (50 per cent); and the state administration. Federal public expenditure accounts for 11 per cent of GDP. Total public expenditure accounts for 40 per cent of GDP.

The defence budget, which accounts for 3.5 per cent of GDP ($83.5bn last year), largely finances pensions and salaries for army personnel. Between 5 and 6 per cent of the defence budget is spent on modernisation of equipment. Following tough opposition from Croatia and Slovenia last year, the budget no longer finances the actual development of the armed forces. The military supplements its income through arms sales.

Most of the federal subsidies are earmarked for agriculture, in particular, subsidising interest rates and credits.

Apart from the difficulties in reaching agreement over the budget, federal government officials expect a deficit of around YD14bn, or 1.1 per cent of GDP. That shortfall and part of the budget has been financed over the past few months by facilities from the National Bank of Yugoslavia.

The problems facing the federal government's finances, have been compounded by a substantial internal debt of $12bn. This debt consists of foreign exchange deposit accounts held by Yugoslav citizens who are now unable to freely withdraw these savings from the banks. The federal government has undertaken to guarantee these deposits.

Theoretically, each citizen is allowed to withdraw DM1,000 a month. In reality, economists in the republics of Croatia and Serbia admit that this is not feasible. As a result, foreign reserves held by the National Bank of Yugoslavia, and other banking institutions, have been used to cover a percentage of these foreign exchange deposit withdrawals.

Judy Dempsey

YUGOSLAVIA 3

Croatian politics is shaped by its relations with Serbia

Mutual hostility persists

CROATIA'S year-old democracy will be unable to flourish as long as its relations with Serbia remain unresolved.

More particularly, until some lasting solution is found for the Krajina, one of Croatia's regions in which the Serbian minority lives, Croatia is unlikely to embark on economic reforms, or strengthen its fragile democratic institutions.

Such prospects may appear too pessimistic for this small, largely Catholic, western republic of more than 4.5m people. But recent events indicate that Croatian politics is being shaped by its historical relations with Serbia, and present relations with Serbia's president, Mr Slobodan Milosevic.

Historically, Serbs and Croats have always had an uneasy relationship. When the kingdom of Serbs, Croats and Slovenes was established in 1918, there were fears among Croats that Serbia would dictate the political agenda in the newly-born kingdom, the precursor to Yugoslavia.

The mutual hostility between both ethnic groups deepened during the Second World War when tens of thousands of Jews and Serbs were killed by the Nazi-backed Croat Ustasha movement, while those Serbs who did not join Tito's partisans, joined the pro-monarchist Chetniks.

Tito attempted to contain these antipathies through the coercive instruments of the ruling League of Communists. In doing so, he re-awakened the sense of national consciousness among the Croats. Mr Franjo Tudjman, once a close ally of Tito, and the president of Croatia, played a role in reasserting Croatia's identity *vis-à-vis* the federal, communist-dominated government in the late 1960s.

By 1971, Tito had become alarmed by the intensity of the nationalist movement in Croatia, which was seeking greater autonomy from Belgrade. He purged Croatia's communist party, silenced the nationalists, and often promoted Serbs in the administration in Croatia.

The problem facing Mr Tudjman, whose party, the Croatian Democratic Union (HDZ), was swept into power in last year's free elections, is the extent to which the republic can seek a *modus vivendi* with Serbia, but within a newly-constituted Yugoslavia, and if not, how the republic can peacefully seek independence without ceding the Krajina to Serbia.

Although the Krajina is inhabited by Serbs, it also contains Croat enclaves. More than 11 per cent of Croatia's population belong to the Serbian minority.

The Krajina remains economically underdeveloped, and vulnerable to the political ambitions and manipulation of Mr Milosevic, and Serb nationalists from the republic of Serbia.

Last year, Mr Milosevic, seeking to boost his popularity in Serbia, urged the Krajina Serbs to declare their autonomy from Croatia. Mr Milan Babic, one of the leaders of the Serbs in Croatia, wants to go further by seeking integration with Serbia.

Over the past few months, the Krajina has virtually become a no-go area for Croats: there is now a Serbian (and heavily-armed) administration controlling the region. For their part, Serbs travelling from the Krajina are often picked up by armed Croatian police and questioned. There is an atmosphere of mutual hostility and suspicion between both ethnic groups.

Officials from Croatia's government are adamant they will not cede the Krajina to Serbia. Were this to happen, they say the integrity of Croatia — and indeed the internal borders of Yugoslavia — would be undermined. Neighbouring Bosnia-Hercegovina, which has a delicate balance of Serbs, Croats and Moslems, would be destabilised. More importantly, Mr Tudjman's supporters, and his far right-wing constituency, which is becoming more vocal and anti-Serb, would fight to keep the Krajina part of Croatia — and an independent Croatia.

This determination to maintain the integrity of the republic of Croatia has imposed a high price on the republic's democratic institutions.

The press, including Danas, the respected political weekly, has been cowed into submission by the HDZ government. Public voices of dissent are becoming increasingly rare. Opinion is galvanised around Mr Tudjman, whose cult of personality, nationalist rhetoric and symbols, has marginalised the liberal intelligentsia.

Citizens, for instance, are obliged to sign an oath of loyalty to the Croatian state. Croatian officials deny people are being asked to sign any loyalty oaths. They say that Serbs are sending out these papers to instill fear among the Serb minority.

The HDZ is also building an army. The republic now has 35,000 police units, of which 25,000 are in the reserves and 10,000 belong to special units which, among other duties, combat terrorism. The units are armed with Kalashnikovs.

Against such an unstable background, liberal economists at the faculty of economists at Zagreb University, are worried that the clashes between Serbs and Croats will lead the republic to *economic ruin*.

Mr Stjepan Zdunic, an economist at Zagreb University, says the instability in Croatia has contributed to a decline in gross domestic product which has already fallen by more than 20 per cent for the first five months of this year. It could further decline because tourism alone accounts for 8-12 per cent of Croatia's GDP. "Reforms, including privatisation must be implemented in order to boost foreign investment and export-oriented growth," he says.

The republic's main enterprises are now directly in the hands of the republic of Croatia. But Zdravko Mrsic, minister of economic restructuring, denies that the government has been intentionally slow about introducing a radical privatisation plan.

Recent legislation passed by the Croatia Sabor, or parliament, does allow limited privatisation and foreign investment. But as Mr Mrsic explains: "I support joint ventures. But I want selective financing. We do not want to mortgage ourselves [to foreign investors] now. The point is that we cannot realise our potential now, that is why we will choose our partners with care."

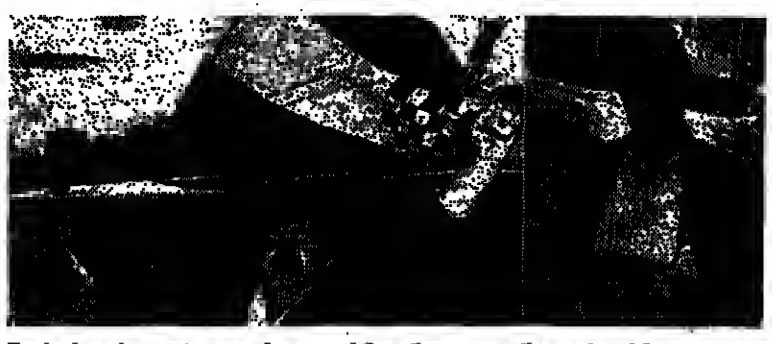
The delay in introducing reforms, and the continuing political instability, is pushing up unemployment. Mr *Mrsic says that out of a work force of* 1.7m, 270,000 people are unemployed, and 130,000 people are either on unpaid leave, or have not been paid since last February. Medical services have been reduced by 21 per cent.

Mr Mrsic says many of Croatia's difficulties are caused by Serbia. "If Yugoslavia was a real democracy, the ethnic problem would not exist. We would therefore have far more competition." The implication is that political and economic reforms in Croatia will not be implemented until the problem with Serbia has been solved.

Were Mr Tudjman, as he attempted last year, publicly to reassure the Serb minority in Croatia (and guarantee in the constitution) that their cultural, political and social rights would be respected, he might weaken the *raison d'être* of the Krajina Serbs.

However, the far right in Croatia, which appears as uncompromising as the Serbs in Krajina and Mr Milosevic in Serbia, is capable of pushing Mr Tudjman away from moderation to reaction, away from negotiation to confrontation.

Judy Dempsey



Explosive circumstances: An armed Croatian waves the national flag (left) and Serbian nationalist leader Vojislav Seselj

Serbia sets the political agenda for the country, says **Laura Silber**

Atmosphere of stalemate

SERBIA, the biggest Yugoslav republic, sets the political agenda for the whole country.

The election victory in December last year of Serbia's Socialist Party, once the communist party, led by Mr Slobodan Milosevic, has been a principal factor contributing to the Yugoslav crisis.

Mr Milosevic won a landslide victory on pledges to preserve jobs, social security and avoid a civil war. But in office he has largely championed aggressive Serbian nationalism and the politics of confrontation.

The introduction of a multi-party system has wrought changes in Serbia's 45-year old communist system. But Mr Milosevic exercises almost untrammelled power over his parliament, dominated by socialists.

The opposition is fragmented between ultra-nationalists, led by Vuk Draskovic's Renewal Party, and centrists, led by the Democratic Party.

The Democratic Party's handful of delegates form a tiny but vocal minority in parliament. Its popularity has grown since March, when students demonstrated against the communist party's abuse of power. However, the Democratic Party, headed by Dragoljub Micunovic, is strapped for funds.

"The Socialists already had a widespread network throughout Serbia," says Mr Micunovic. He says municipal elections, which should have been held by May, will be a key opportunity to break the communists' hold over local government.

The biggest change has occurred in the Serbian media. The rise of an independent media has broken the monopoly on information once held by the communist party. An independent television and radio station, and several large-circulation magazines, have become sharper critics of the Serbian government than their counterparts in Croatia and Slovenia.

But many changes are cosmetic. Serbia's Socialists have surrendered the symbols of communist rule while retaining the substance of power. Managerial positions in many Serbian enterprises remain in the dispensation of the ruling party as rewards for faithful politicians. As a result, the economy remains bedevilled by the promotion of managers because of political loyalty.

The Serbian police retain the repressive powers they built up under communism, to "investigate" and interrogate alleged enemies of the social order, above all in the predominantly Albanian province of Kosovo.

The price of controlling Kosovo is high. Of the republic's total budget, 22 per cent is spent on Kosovo. *At least 56* per cent goes on maintaining the province's expanded police force. Hampered by the intrusion of politics into management, and the financial burden of controlling Kosovo, Serbia's economy is foundering. The legal barriers against private enterprise have been mostly swept away, but entrepreneurs receive little encouragement.

The socially-owned enterprises are not being broken up and industrial output continues to fall. It dropped by nearly 20 per cent in the first four months of 1991. It is unclear where Serbia will get the planned $1.3bn to cover the 1991 budget deficit. Serbian parliamentary committees are working on new legislation on privatisation. But the draft laws aim to create "state capitalism" rather than a free enterprise system, by converting "socially-owned" firms into state-owned industries. Labour unrest is the greatest threat to the Serbian government. Several hundred small strikes have already taken place this year and may herald a wave of industrial unrest, if companies default on salaries. The government has avoided closing factories and so increasing unemployment. The result is short-term expedients of pushing money around or printing money in defiance of the National Bank of Yugoslavia.

The government's main weapon is to divert public attention into nationalist agitation. The practise of pumping up hysteria through the state-controlled media over the fate of the Serbian minority in Croatia and in the southern province of Kosovo has brought Yugoslavia to the brink of civil war.

Kosovo, where Albanians make up 90 per cent of the province's population of 2m, is destined to remain a thorny issue. The southern province is a disastrous drain on the republic's finances and the cause of Serbia's international diplomatic isolation. The province's autonomy was abolished in July last year when the provincial parliament was dissolved after widespread riots.

Since then Kosovo has been controlled by the police, aided by the repressive use of "temporary measures" in most enterprises, which outlaw strikes, put firms under the management of Serbian officials, and force workers to sign loyalty oaths to Serbia.

The average salary, about $150 per month, remains the lowest in Yugoslavia, and one half the average salary in Slovenia. But the official statistic hides the abject poverty made worse by the Albanian birth rate, which is the highest in Europe. Unemployment is now more than 30 per cent, forced up by the mass resignations and sackings of about 60,000 Albanian workers who refused to sign "loyalty oaths".

The province's politics are conducted in an atmosphere of stalemate punctuated by violence. Albanians boycotted the Serbian elections in December in protest against the abolition of the province's autonomy.

As a consequence Albanians are not represented at any level of government, although they make up more than 20 per cent of Serbia's population of 10m.

Kosovo's Albanians seem to be waiting for the resolution of Yugoslavia's political crisis, with the awareness that the Kosovo problem will continue to plague Serbia, and Yugoslavia at a price which Serbs may not be willing to pay.

Judy Dempsey and **Laura Silber** examine the background to political violence

A six-pronged quest for power

FOR many years, Yugoslavia stood out from the rest of the socialist bloc. It could boast an economic system which was less centralised than its eastern European counterparts. It could boast stability. It could boast that its ethnic and nationality problems had been solved.

1991 has shown that Yugoslavia continues to be different from the rest of eastern Europe. But now, there is little about which to boast.

Since January, the country has swung from ethnic violence and hatred, to long and tortuous negotiations between the country's six presidents.

Reprieves from bitter denunciations among the republics in the media, have been replaced by street demonstrations, killings, recriminations and the establishment of armed paramilitary groups in several of the republics.

Today, the leaders of the six republics each of whom is trying to carve out their own power base, determine the security of 23.5m people, and the fate of Yugoslavia. The quest for power, and cultural identity, is almost as strong as the growing inevitability of unrest and break-up of this exotic, and potentially rich country.

Unrest has dominated *Yugoslavia's political* and economic agenda throughout the first half of 1991

This unrest, which undermined economic and political reforms, has dominated Yugoslavia's political and economic agenda throughout the first half of 1991.

In January, news broke that the Serbian authorities had illegally printed the equivalent of $1.6bn. The (secret) decision by the Serbian communist-dominated parliament, made out of desperation to buy social peace, eroded attempts to implement a tight monetary policy by Mr Ante Markovic, the prime minister. Illegally printing money is nothing new in Yugoslavia. In spite of the public outcry, the republics of Croatia, Macedonia and Montenegro also printed money in January without federal authorisation.

The economic indiscipline was soon followed by more political instability. The federal army attempted to destabilise the republic of Croatia which was seeking greater autonomy from the federation. The army had broadcast a film alleging that Mr Martin Spegelj, the defence minister of Croatia, was planning a massacre of military personnel and their families. This intimidation by the army only served to swing public opinion in Croatia behind Mr Franjo Tudjman, its president, who supported Mr Spegelj. Slovenia who also fear military intervention, backed Croatia by calling for the resignation of Mr Veljko Kadijevic, the federal defence minister.

The month of February was no less volatile. Negotiations between the republics about working out new structures for the country broke down; ethnic Serbs living in Knin, Croatia, declared their independence; political instability contributed to the economy's decline. The federal social accounting agency reported that a third of all Yugoslav companies, employing 2m people, were insolvent.

During March, political unrest and ethnic violence continued to dominate the agenda. Between March 1-3, ethnic Serbs took over a police station in Pakrac, Croatia. The federal army intervened. Several institutions in Croatia issued an appeal declaring that "Croatian democracy is threatened by a Serbian-communist attack".

In neighbouring Serbia, the unchallenged power of Mr Slobodan Milosevic, the socialist (former communist) president, was put to the test after tens of thousands of people took to the streets to protest against the Socialist (former communist) Party's tight grip over the media. Two people were killed, and 90 were wounded.

Mr Milosevic panicked. He telephoned the army six times to quash the demonstrations to save him. The army eventually arrived, but stayed for only a day. Mr Milosevic was not saved by the army. He was saved by his arch rival, President Tudjman. On March 25, both men met secretly in Karadjordjevo, in Serbia. There, an agreement was apparently reached to overthrow Mr Markovic and carve up Bosnia-Hercegovina, which would be shared between Serbia and Croatia. Two days later, 50,000 people demonstrated in Belgrade to press their demands for press freedom.

The six presidents were forced to the table because they are fighting for their political survival

April was just as tense. The federal government condemned moves by Slovenia and Croatia to secede; anti-army demonstrations were held in Croatia; 700,000 workers went on strike in Serbia; the presidents of the six republics agreed to hold a referendum on the future of the country by June 1991.

In May, the rhetoric of hatred and violence between Serbs and Croats spilled on to the streets. In Borovo Selo, in eastern Croatia, a dozen Croat soldiers were murdered by ethnic Serbs; a soldier from Macedonia was killed in Split during anti-army demonstrations; there were fears of a military intervention; the presidency called for a truce, and agreed to disarm all the paramilitary groups. The latter decision has been impossible to enforce.

On May 15, the republics of Serbia and Montenegro refused to confirm Mr Stipe Mesic, a Croat, as the country'e next president in what should have been an automatic appointment. It is ironic that the failure to endorse his election, which underlined the break-up of the federal structures, was engineered by those same republics (Serbia and Montenegro) which claimed they wanted to uphold the federal institutions.

The meeting of the six presidents in Sarajevo, the capital of Bosnia-Hercegovina, on June 6 was yet another attempt to break the constitutional deadlock, seek some way out of the protracted political, economic, social and ethnic crisis, and start formal negotiations about creating a new basis upon which the country's institutions can function.

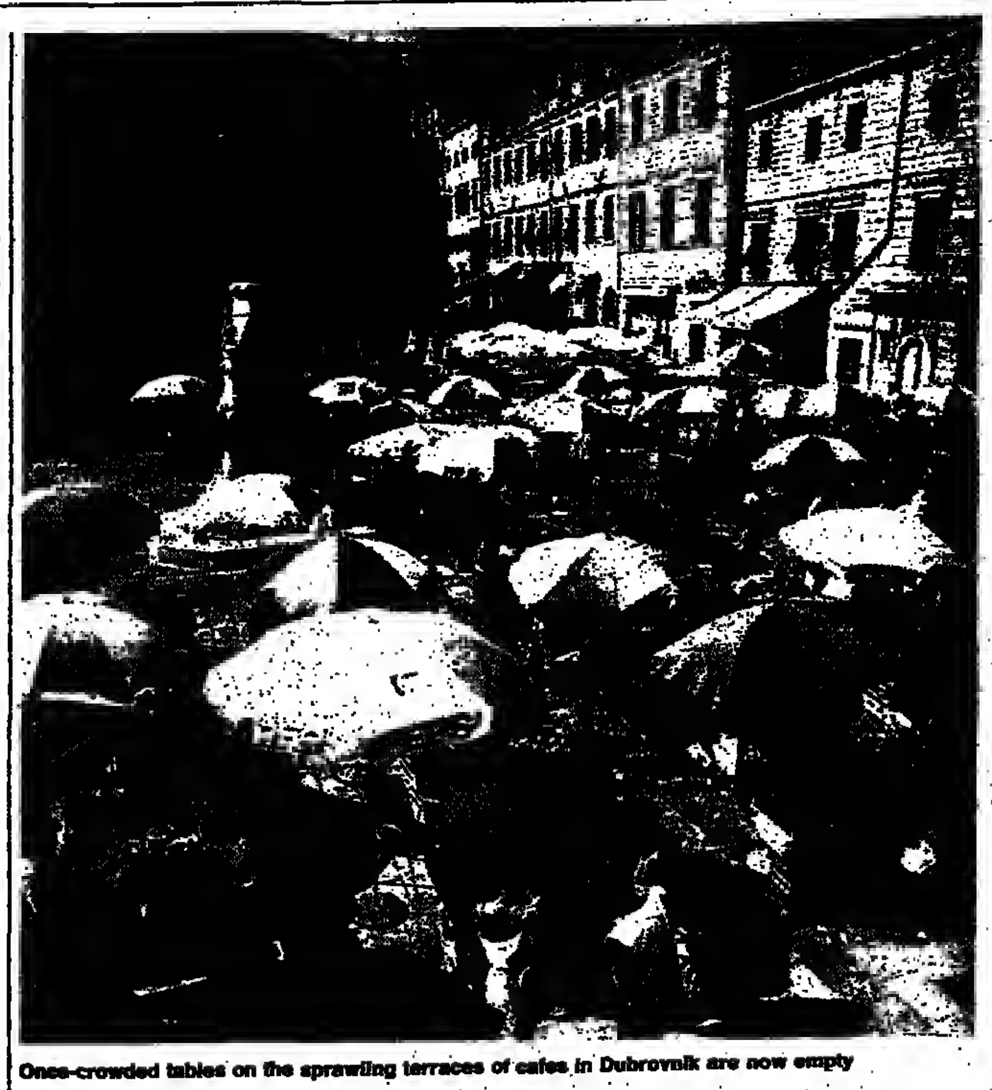
Mr Markovic has already described these talks as "a long process towards establishing the principle of sovereignty of each republic, which also creates certain functions of a common state . . . a community which represents those republics."

In reality, the presidents of the six republics were forced to the table because they are now fighting for their political survival. Nationalist rhetoric, authoritarian rule, and ethnic violence, can no longer suppress growing labour unrest and falling living standards.

Since June 6, there has been some respite from instability. But it is uncertain for how long it will remain calm. Incidents of random violence between ethnic groups take place almost every day; the violation of human rights among the ethnic Albanians in Kosovo, which is now directly ruled by Serbia, continues unabated. Moves by some of the republics to distance themselves further from the centre have been stepped up.

Slovenia and Croatia yesterday declared their independence. In content, it means, for the moment at least, very little. But by making this gesture, the republics have formally ended Yugoslavia's post-war structures. The future now beckons. But the past casts a dark shadow over the present negotiations which are seeking an honourable exit from the crisis.

Croatians in Split wave republican flags and shout slogans during an anti-army demonstration



Once-crowded tables on the sprawling terraces of cafes in Dubrovnik are now empty

Tourist areas are deserted, says **Laura Silber**

Disastrous season

THE long stretches of beach are deserted. Only handfuls of tourists bathe in the turquoise sea. Waiters stand idly over empty tables on the sprawling terraces of cafes in the beautiful coastal cities of Dubrovnik and Split. Yugoslavia's most disastrous tourist season in more than three decades threatens to hit purses throughout the country and not just those belonging to the distraught owners of private *pensions* on the Adriatic islands.

Tourism officially accounts for only 5 per cent of Yugoslavia's gross national product (GNP). But Mr Andjelko Simic, president of the Yugoslav Tourist Agency Association, says: "Tourism actually represents closer to 10 per cent of the GNP, when sales and transportation are taken into account." The average tourist spends $50-$100 a day, which in the end accounts for nearly 20 per cent of the country's hard currency earnings.

The tourist industry earned $2.8bn in 1990 when 7.9m foreigners visited Serbia's medieval monasteries, skied in Slovenia's Alps or fished in Montenegro's glacial lakes. But hard currency earnings of $200m in the first four months of 1991 were about 60 per cent lower than the same period last year.

The Yugoslav tourist industry had already entered a gentle decline over the past few years, as steadily rising prices drove away the traditional market of packaged tours and lower income tourists.

But this year the decline turned into a potentially catastrophic slump, as festering ethnic tensions erupted into violence which spilled over into leading tourist resorts.

The sale of package tours has dropped by at least 50 per cent

Croatia, the biggest tourist attraction, because of its 1,800-mile stretch of coastline, has been the scene of bloody ethnic violence between the authorities and the republic's Serbian minority. Plitvice National Park is the country's biggest and most lucrative inland resort, supplying most of the income for the surrounding region.

Until last year Plitvice, which was designated a United nations natural landmark, annually received up to a million visitors who were drawn by spectacular waterfalls and unspoilt natural beauty. Gun battles in the middle of the park in March, which left two dead, destroyed the tourist season this year. Army tanks now patrol the empty park.

The Dalmatian coastal resort of Split, Yugoslavia's second biggest port, which is also the base for ferry boats heading to popular island destinations, has been equally affected after anti-army riots left one soldier dead.

Tourist officials and Mr Ante Markovic, the prime minister, are trying to woo back visitors frightened by reports of instability. Mr Markovic said Yugoslavia is safe for tourism, and points out no tourists have been affected by the country's ethnic turbulence.

Yugoslavia has the potential to attract holiday-makers. It stands at the crossroads of east and west. Its rich historical heritage and traditions are all contained in 99,000 square miles. The diverse cultures and varied climate, from Alpine to sub-tropical, are easily accessible by road, air or rail. Yet Yugoslav tourist officials realise foreigners will shy away from the country due to reports of political instability, regardless of whether the actual incidence of violent conflicts is relatively low.

The sale of package tours has dropped by at least 50 per cent as foreign tour operators cancelled bookings, after travel advice from the UK and US governments warning against all non-essential visits to Yugoslavia.

An irrepressible optimist speaks out

Continued from Page 1

federation – and the state. In spite of this, Mr Markovic soldiers on in the belief that his economic reforms will be implemented, that the country will not disintegrate, and that it will remain stable and peaceful enough to woo back investors and tourists.

"It is peaceful for tourists to come to Yugoslavia," he insists. "The roads are now passable [in parts of Croatia]. Traffic is moving normally."

Mr Markovic challenges the notion that a similar degree of optimism cannot be extended to the economy.

"We do not have problems with the current account. Our exports are growing and imports are levelling off. Capital transactions are the main problem. This year, if we do not get financial support from abroad, we will have a net outflow of capital of about $4.8bn. This outflow is already taking place. Our foreign debt last year was $16.2bn and has now dropped to $14.4bn," he commented.

'The country is being impoverished, and less able to keep the dinar convertible'

"This means, *de facto*, that the country is being impoverished, and Yugoslavia is less able to keep the dinar convertible. While $17.5bn of Poland's debt is being written off, and Egypt's $18bn, Yugoslavia will effectively be paying the foreign community $4.8bn. It actually means that the developed world will destroy the reforms in Yugoslavia," he explained.

Mr Markovic hesitated when asked if he would seek debt forgiveness. "I cannot exactly say that today I would answer that question quite as simply as before. But it is certain that such a huge net capital outflow must be prevented." Meanwhile, the country's 5m depositors remain unable to withdraw from the banks their savings which exceed $12bn.

He hedged about how Yugoslavia's ethnic problems, in particular, the status of the ethnic Albanians in Kosovo, can be solved.

"Kosovo will have to be resolved like all other problems facing Yugoslavia. The reform and democratisation of Yugoslav society demands the equal treatment of ethnic Albanians, as well as the problems of any other nationality in Yugoslavia."

When asked if it were possible for politicians in Serbia to show more flexibility towards Kosovo, Mr Markovic simply replied: "You will have to ask them."

CINEMA

Absurdity with a straight face

THE NAKED GUN 2½ David Zucker
DEFENDING YOUR LIFE Albert Brooks
NOT WITHOUT MY DAUGHTER Brian Gilbert
NAVY SEALS Lewis Teague
RIFF RAFF Ken Loach

"I wonder why he's hanging out in the red light district," asks police officer Frank Drebin (Leslie Nielsen). "Sex, Frank?" suggests a colleague. "No, not right now, thanks."

Comedy, as this excerpt from *The Naked Gun 2½* shows, is a serious business. Things like sex, crime detection and the quest for knowledge are all grist to its mill. Its mill can grind exceedingly fast (*The Naked Gun 2½*), exceedingly slow (*Defending Your Life*) or exceedingly unintentionally (*Navy Seals*). The only sure thing is that the better the mill, the finer it will grind. (Mill metaphor to be rounded off shortly.)

The Naked Gun 2½, directed and co-scripted by David "Airplane" Zucker, grinds fine, not to say devastatingly. The film's nominal story is pulverised, along with any threatening hint of serious characterisation or drama. Opening with a mishap-prone White House dinner hosted by George and Barbara Bush – or uncanny lookalikes – the film careers blissfully on, like the flashing police-car light of the credit titles, to encompass a nuclear energy conspiracy, a love affair (Nielsen and Priscilla Presley) and enough non-sequiturs to cause a rift in the world's cause-and-effect continuum.

Absurdity is best delivered with a straight face, and no face is straighter than Leslie Nielsen's. Ever since commanding *Airplane*'s passengers not to call him Shirley, he has been a gruff and lovable authority figure of estimable incompetence. The white hair, deep voice and Roman nose command respect. The pursed mouth, subtly bowed legs and eyes with a hint of squint presage chaos.

Here he creates as many disasters as he solves. And in the unlikeliest pairing of our time, he guides an alertly funny Priscilla Presley through the trials of love. These include a sketch that makes it impossible to watch *Ghost*'s phallic pottery scene again with a serious face: assuming yours was serious the first time.

Mayhem spreads from the central duo to the whole film. A dinner-table lobster moves towards a female bosom, pincers flapping. Zsa Zsa Gabor provides a memorable, if not printable, one-line cameo. A bluesy late-night bar boasts an irresistibly depressive torch-singer and a series of "great disaster" pictures on the wall: the Hindenburg, the Lusitania, Michael Dukakis. Best of all – but no: best of all is that you see the film. *Naked Gun 2½* may not quite touch the heights of *Airplane*, but it surpasses the heights of *Naked Gun 1* and makes most other modern movie comedies seem pygmies.

*

Which brings us to *Defending Your Life*. Writer-star-director Albert Brooks, last seen as the perspiring anchorman in James L. Brooks's (no relation) *Broadcast News*, is a famous American comic whose fame has never leaped the Atlantic.

Apart from his cult mini-classic *Lost In America*, a funny yuppie road-movie, the films he has written and directed himself have been – lost in America. Now comes *Defending Your Life*, complete with Meryl Streep, mega-dollar production values and one of those after-life stories now sweeping Hollywood. (See *Ghost*, *Always* and company). Brooks plays a young advertising executive who after fatally smashing his new BMW is transported to "Judgment City", alias Purgatory. Here the dead go on trial to see if they can proceed to Heaven or must return to Earth for further improvement.

Many of us deluded mortals, given that choice, would vote for coming back to Earth. Especially if Heaven is anything like Brooks's Judgment City, as laid out by him and production designer *Ida Random*. Here people in white hospital smocks wander dazedly around a place that looks like Disney's Epcot without the litter. You can do what you like, within bounds. And you can eat what you like, if the hygienic dreariness of the place does not put you off your food.

With the help of celestial lawyer Rip Torn, acting as ever as if he has a walnut lodged in one jowl, you can pass to Paradise by proving that in your last earthly life you conquered fear. (Brooks's hero has had 20 lives to date.) Video footage of your terrestrial past is allowed, though opposing counsel Lee Grant can use it as prosecution evidence.

A Jewish actor-director; a Hollywood-Christian vision of the after-life; and Buddhist self-improvement procedures. It boggles the mind. All this plus La Streep, with liquefactious hair and radiant smile, in an extended cameo as the post-mortal girlfriend. *Defending Your Life* might be defensible if it were more caustic and less cloying. But Brooks's wit is apparently on retirement pay while a newborn inspirationalism bounces

Spreading mayhem: Leslie Nielsen in 'The Naked Gun 2½'

forth, caterwauling, in its place. Comedy is, and ever has been, licensed iconoclasm. When an iconoclast become an icon-maker and starts blueprinting messianic other-worlds, it is time to change allegiances.

*

Not Without My Daughter is a humdrum treatment of a humdinging story. Based on the true tale of Betty Mahmoody's escape from Iran, after her Iranian-American husband chose to extend their two-week trip into a lifelong residence, the film stomps along from one signposted crisis to the next like a TV problem movie trying to ration the viewers' coffee breaks.

Oh gosh look: Sally Field as Betty M, *just off the plane, is being handed the* black robe and face-concealing headgear by her Mum-in-law. Ooh look and listen: she is having near-hysterics when hubby Alfred Molina says "No return journey, darling, we're Iranian" (or words to that effect). Goodness me: now she is having secret trysts with an Iranian Mr Fixit (Roshan Seth) who can get her fake papers and transport.

Screenwriter Pat Riddle and British director Brian Gilbert never soar above a plain, will-she-won't-she approach to the material. But then the story is such a cracker that we hang up our purist demands for brighter cinema and go along with the what-nexts. Molina excels as the weathervane husband, now sullenly troubled, now flashing with Islamic machismo. And even Field, a chubby-cheeked Bernhardt whose every dramatic role seems to be labelled "Oscar, please", throws away her make-up, dons her glamourless Muslim garb and gives her heart to the role.

Not only the Iranians but the Arabs receive Hollywood punishment this week. "Ragheads, Ay-rabs," says an American serviceman in *Navy Seals*. "*They're all a few sandwiches short of a* picnic."

They are not the only ones. In this consummately daft action film, Charlie Sheen and Michael Biehn lead an elite force of US "Seals" (Sea Air And Land forces) in a raid on a cache of terrorist weaponry somewhere in Beirut. We know it is a major cache because the stencilling on the boxes says so: "Guided missile", "Rocket launchers", "Explosives" and so on. Not since the good old days of bombs marked "Bomb" has the cinema been so helpful.

Soon Hell is breaking loose over the Eastern Mediterranean and Heaven takes the form of consulting one's watch to find there are only ten, five, two minutes to go. Modest fun may be bad, however, in the dialogue (screenwriters Chuck Pfarrar and Gary Goldman). A rescued US soldier praises the highly-classified Seals' latest stunt. "Don't thank us" replies Sheen or Biehn, "We don't exist." Say no more. A hundred million filmgoers can keep a secret.

The best-kept secret in London cinema at present is the return of Ken Loach's *Riff Raff*. Immodest acclaim at the Cannes film festival has brought the film back to two London screens after a minimal first exposure at the National Film Theatre.

Scripted by Bill Jesse, this tale of building-site life hums with a fierce and funny reality. By final reel Loach cannot resist lighting the anti-establishment touchpaper. But before the blow-up *finale*, Socialist agitprop is kept out by streetwise humour, sharp character sketches and witty ensemble work from the (unknown) players. A treat.

Nigel Andrews

'Tis Pity She's a Whore

SWAN THEATRE, STRATFORD-UPON-AVON

Meet the Bonnie and Clyde of Jacobean drama, Annabella and Giovanni. They are the incestuous siblings in John Ford's *'Tis Pity She's A Whore*. Convention and decency forbids their relationship, but the heart allows it. You will have to hold out until the play's last line for the judgment implicit in the title and suspended in this rigorous RSC staging at The Swan. But it is well worth the three-hour wait.

Ford has rallied a squadron of Jacobean staples: folly, laxness, craft, intrigue and lubricity compete in a world which changes with the next stratagem; but for all its subtleties, this is not a complicated play. David Leveaux' direction presents Ford economically and without flourish: it keeps the issues sharp while siding with the lovers in the war between conscience and lust.

T.S. Eliot was right to dismiss the subplots as irrelevant; the main action centres on Giovanni, who moodily uncovers the sexual within sororal love, and his sister Annabella who meets him in a world of sensuality. She marries Soranzo, one of an armada of becalmed suitors, in order to ratify her incestuous pregnancy. When Soranzo's limber servant Vasques discovers the truth, Giovanni preempts him by killing Annabella and cutting out her heart.

Ford enjoyed the literalness of puns on "heart" as well as riddling the play with wonderful truisms like "conscious stands up against lust" or "she was a lusty widow in her husband's lifetime." This production enjoys Ford's felicities, and also negotiates the thin ice ("is this all mine own blood?"). It does so by managing to keep the exchanges between characters fully charged, just as Ford's language is always quick with immediacy.

This requires acting of high quality, and the cast delivers. The principals, Jonathan Cullen and Saskia Reeves as the siblings generate sufficient sexual energy to move a mountain of disapproval, and only occasionally seem uncertain. Their confessor, Friar Bonaventura (Jonathan Newth), listens patiently and then – always forcibly – puts the Church view. Soranzo the pre-cuckolded husband is crisply acted by Tim McInnerny. The best part in the play, his servant Vasques, falls to Jonathan Hyde, who plays this restive protean beautifully.

Alastair Muir

Jonathan Cullen and Saskia Reeves

Among the family and suitors, the luckless father Florio (Bernard Gallagher) and his friend Donaldo (well played by Randal Herley as joint-stock banker), provide the serious ballast from the older generation. Bergetto (Richard Bonneville) and Poggio (Guy Henry) turn on an enjoyable double act; but it seems unlikely that Bergetto's claim "I can have wenches enough in Parma for half a crown apiece" will speed the federalist spirit currently afoot in Rome. Sheila Reid's Putana is a wonderful maid, caught in the paradox that to show one has been entrusted with a secret, one reveals it.

Monochrome Edwardian costumes, all starch and buttons, keep the play's repressed sexual drives under wraps. The plain set (designed by Kenny Miller) has its own drama: bare settings conceal sumptuous tableaux, and black turns to white drapes in the final scene. But the set is failed by shoddy lighting which dissipates the action too much instead of focussing and concentrating it.

However, *'Tis Pity* comes over strongly, and the open heart surgery at the end should please all but the most clinically exacting. This fine production prepares us for that coup without ever relinquishing the seriousness of its enterprise or slackening the tension which Ford creates.

Andrew St George

The Bolshoy's 'Onegin' at the Met

A two-week visit by the Bolshoy Opera to the Met opened, on Tuesday, with the unveiling of a new production of *Eugene Onegin*, premiered in New York, and created by the team of Alexander Lazarev, music director (though Fuat Mansurov conducted the premiere), Boris Pokrovsky, producer and choreographer, and Valery Leventhal, designer – who also created the *Mlada* and *Maid of Orleans* that complete the season. It was a performance of considerable interest, though it was not especially well received, and boos mingled with the cheering at the close.

The first four scenes – garden, Tatiana's bedroom, garden, ballroom – are played all in the same set: the Larina house built and set out as a kind of giant dolls' house, five rooms and a gallery, placed much too far upstage. Tatiana's letter when written not centre stage but way back in a little garret room, far away on the right, loses impact. In the finale of II.1 – Lensky's "V vashem domye," "Yes, in your house" – each of the five soloists sang from a different room of house.

Well, it's a sort of idea, but it was helpful neither to the opera nor to any precise musical ensemble. When we moved to St. Petersburg, the visual idiom changed. At the ball, most of the ladies wore identical dresses (to stress the formality of metropolitan society?). Tatiana stood out by being the only hatted lady present (the libretto refers to her red hat). In the final scene, as Tatiana began the "Happiness was once so near us" section, an elderly footman entered and with heavy symbolism dropped tall window blinds over the remaining light.

This was the *softest* account of *Onegin* that I have ever heard. No complaint thereat: seated far back in the gigantic house, I rejoiced at having to strain my ears, to be constantly attentive, in order to catch what was happening. Nina Rautio, the Tatiana, sang much of the role in a whisper. When she did open up, she lost quality and steadiness; at low volume she was eloquent. The orchestra, often, played very softly – sometimes almost inaudibly – in a way that few America orchestras do. And the flutes, the oboes, the bassoons, the beery brasses (which were suddenly and thrillingly encouraged to blare) all told.

Oleg Kulko, the Lensky, and Evgeny Nesterenko, the Gremin, were sometimes cavalier about pitch. Vladimir Rudkin, the Onegin, was vocally decisive but cool to a fault. Long-legged and elegant (the first-night cast seems to have been chosen as much for looks as for vocal prowess), he played the role. He ran through his reprise of Tatiana's letter at the close of ball scene without passion, with unemotional, strong, matter-of-fact rapidity. (And the reprise of the Ecossaise that should cynically end this scene was cut.)

At the Met, and in the West generally, this opera has – by Ileana Cotrubas, Mirella Freni, Sherrill Milnes, Tom Allen, Richard Bradshaw – generally been played with heavier emotional charges, from both the performers and the conductor. The aim of this cool Pokrovsky production was perhaps to desentimentalise – to rePushkinise – Chaikovsky's emotional opera. (Pushkin's great poem is a satire, Chaikovsky's great score is a love letter.) The result was at times unmoving, but it was certainly arresting.

Andrew Porter

London Symphony Orchestra

BARBICAN HALL

With a Spanish conductor and Russian-born soloist, on Tuesday the London Symphony Orchestra set about celebrating the 700th anniversary of the confederation of Switzerland. The Festival of Switzerland is running throughout the year across Britain, popping up here and there with glossy events. The gloss and the glitz in Tuesday's concert were supplied largely by Mstislav Rostropovich, Swiss now by residency and offering a brace of cello concertos by 20th-century Swiss composers in typically larger-than-life performances.

The Strauss-and-water of Ernest Bloch's *Schelomo* is a favourite among cellists, and Rostropovich conveyed its rhetoric and Hebraic evocations wonderfully, with a tone rich enough to sustain many an orchestral cello section, while the orchestra under Rafael Frühbeck de Burgos filled in the Technicolor backdrop. Honegger's Concerto, though, is far more of a rarity, and harder to pin down. Written in 1930 for Maurice Maréchal, it alternates between musing introspection and manic extroversion, lapsing periodically into popular songless jazz in the manner of Honegger's Les Six confrères such as Milhaud, than music-hall, and curiously prefiguring the world of Ravel's G major Piano concerto, written at precisely the same time. Somehow, in a masterful piece of juggling, Rostropovich managed to hold all the strands together with a combination of forceful exuberance and serious expressiveness.

The Swiss affiliations of the rest the programme were more tenuous: no work by Martin, Schoeck or even Holliger, but the Overture to Rossini's *William Tell*, loud, brilliant and just a little vulgar, and the Suite from Stravinsky's *Firebird*, in the version made in 1919 when the composer was living in exile in Switzerland. It was smoothly if blandly played by the LSO and only came to life for the finale; de Burgos is too experienced a hand to underplay such a sure-fire ending.

Andrew Clements

Notre Dame

OLD FIRE STATION, OXFORD

To those who harbour happy memories of afternoons picking up splinters from The Old Fire Station floors, the transformation of this Oxford arts centre is miraculous. In place of drab community rooms, a plush cafe-bar and generous little studio theatre. In lieu of splinters, you can pick up the latest try-out by Cameron Mackintosh, who is a major investor in the refurbishment.

Given Mackintosh's famous ability to marry beneficence with business, one looks towards the Old Fire Station for signs of where the musical may be heading, after Andrew Lloyd Webber. The news would seem to be hopeful: in *Notre Dame*, Victor Hugo's sprawling novel is pared down to an intimate gothic romance on the eternal themes of love, hypocrisy, revenge. This may seem perverse, but it actually works rather well. The storyline, of a love tangle involving a priest, a hunchback, a gypsy and her soldier lover has an undoubted appeal.

Robin Don's design is dominated by a web of rope nets on which a posse of Parisian freak show exhibits tumble and sprawl as the tragedy takes its course on, beside and beneath a revolving edifice of platforms and ladders suggesting the cathedral bell tower. At its foot are the dungeons to which the gypsy Esmerelda is taken and taunted with torture weapons by the jealous cleric, Frollo, before being stretched on a wheel.

So far, so Gothic. The fault – as yet – is that it is not gothic enough, and the problem centres on the portreyal of Frollo. Paul Keown is attractive and anguished but he needs more of a psychopathic edge. It is not simply a fault of performance but of the musical conception. His desperation is grafted on to the gentle "Gypsy's Prayer" with no change of tempo; his counterpoint with the love duet of Esmerelda and her lover, Phoebus, should surely be more murderous, since moments later he is stabbing Phoebus to death.

Callum McLeod and David Redston have provided a score that is sound but anodyne. One looks for more numbers like the raunchy "I'll never lie down again" when music and lyrics (Paul Leigh) coalesce into something a little risky. It is sung by Madame Gudele (Lynda Baron), Esmerelda's long-lost, brothel-keeper mother who could develop into a smashing cameo, if only her involvement was established with more finesse.

On the plus side, Jacqueline Dankworth plays Esmarelda with poise and dignity, which becomes quite moving in her truth-telling scene with Quasimodo (Adam Price) – a troll with an eye running down his face, who is human in spite of it all.

Claire Armitstead

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Carlo Maria Giulini conducts Beethoven's Sixth and Seventh symphonies with the Royal Concertgebouw Orchestra. The programme is repeated tomorrow at the Keulen Philharmonie and on Sat at the Düsseldorf Tonhalle. Tomorrow *in Concertgebouw: Yehudi Menuhin* conducts Beethoven's Ninth Symphony. Sat: Messiaen concert (6718 345)
Muziektheater 20.15 Dutch National Ballet opens a week-long season with a triple bill: new ballet by Toer van Schayk, William Forsythe's Artifact II and Nijinska's Les Noces. Repeated tomorrow and Sun. Sat: final performance this season of Idomeneo, conducted by Frans Brüggen (8255 455)

BERLIN

Staatsoper unter den Linden 19.30 Egon Bischoff's production of Giselle. Tomorrow: Der fliegende Holländer with Ekkehard Wlaschiha as the Dutchman. Sat: Les contes d'Hoffmann (2004 762)
Deutsche Oper 19.00 Christoph Prick conducts Le nozze di Figaro, with Margaret Marshall as the Countess and Maria McLaughlin as Susanna, also Mon. Tomorrow: Die lustigen Weiber von Windsor. Sat: *La clemenza di Tito*. Sun: revival of Johannes Schaaf's production of Der Freischutz (3410 249)
Philharmonie Kammermusiksaal 20.00 Gary Bertini conducts Berlin Philharmonic Orchestra in Haydn's Symphony No 45, Ives' The Unanswered Question and Shostakovich's Symphony No 14, with soloists Julia Varady and Dietrich Fischer-Dieskau. Also Sat and Sun (2614 383)

LONDON

MUSIC
Covent Garden *19.30 Jeffrey Tate* conducts John Schlesinger's production of Les Contes d'Hoffmann, with Alfredo Kraus in title role, James Morris as the four villains and Sumi Jo, Anne Howells and Leontina Vaduva in the main female roles, also Sat. Tomorrow: La Cenerentola with Anne Sofie von Otter as Angelina (071 240 1066)
Royal Festival Hall 19.30 Andre Previn conducts Royal Philharmonic *Orchestra* and Brighton Festival Chorus in Britten's War Requiem, with soloists Andrea Gruber, Anthony *Rolfe Johnson and Hakan* Hagegard. Sun: Frank Shipway conducts Mozart and Strauss, plus Barry Douglas piano recital (071 928 8800)
Barbican 19.45 An evening of songs from Broadway musicals with Royal Philharmonic Pops *Orchestra. Tomorrow: Ted Heath* Band. Sat: favourite opera arias and choruses. Sun: Rita Hunter sings Wagner with LSO conducted by Rafael Frühbeck de Burgos (071 638 8891)
Earls Court 19.30 *Jacques Delacote* conducts *Tosca, repeated tomorrow* and Sat. The alternating casts are Julia Migenes and Maria Gulaghina in the title role, Peter Lindroos *and Antonio Ordonez as* Cavaradossi, and Malcolm Donnelly and Ingvar Wixell as Scarpia (071 497 9977)
Coliseum 19.30 English National Ballet presents John Cranko's The Taming of the Shrew. Tomorrow, Sat and Sun: ENB triple bill of Mauricio Weinrot's Anna Frank, Ronald Hynd's The Sanguine Fan and Vicente Nebrada's Our Waltzes (071 836 3181)
THEATRE
Musicals: *at the London Palladium*, Jason Donovan heads the cast in Steven Pimlott's production of Joseph and the Amazing Technicolour Dreamcoat (1968), one of the early successes of the Andrew Lloyd Webber/Tim Rice partnership. At the Vaudeville, Dora Bryan stars in a transfer of last year's successful Chichester festival production of 70 Girls 70 by Kander and Ebb, the writers of Cabaret and New York, New York. *The Old Vic has Simon* Callow's classy production of the Hammerstein/Bizet all-black musical Carmen Jones. Tango *Argentina at the Aldwych is a* stylish and energetic song and dance show. At the Royal Court tonight, tomorrow and Sat, Graeme *Miller presents A Girl Skipping,* which uses the motions found on the school playground to create a daring piece of musical theatre *with connotations beyond* children's games. For information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MADRID

Teatro Lirico La Zarzuela 20.00 *Final performance* this season of John Copley's production of Peter Grimes, conducted by David Parry, with Jacque Trussel in title role, Nancy Gustafson as Ellen and Richard Stilwell as Balstrode (429 8225)
Auditorio Nacional de Musica 22.30 Frans Brüggen conducts a Mozart programme with the Orchestra of the 18th Century. Repeated tomorrow (337 0100)

MILAN

Teatro alla Scala 20.00 Riccardo Muti conducts Jerome Savary's production of Attila, with a cast led by Cheryl Studar, Salvatore Fleichella, Samuel Ramey and Giorgio Zancanaro. Also Sat and next Mon (7200 3744)

NEW YORK

MUSIC AND DANCE
New York State Theater *20.00* NY City Ballet in three works by Balanchine. Final performances of the season tomorrow, Sat and Sun (870 5570)
Metropolitan Opera 20.00 Bolshoy Opera production of Eugene Onegin. Tomorrow: *Rimsky-Korsakov's Mlada*, with matinee and evening performances on Sat. Bolshoy season runs till July 6 (362 6000)
THEATRE
Off Broadway: the State Theatre of Lithuania has brought repertory productions of Uncle Vanya and The Square, both directed by Eimuntas Nekrosius. The performances are in Lithuanian, but with free *simultaneous* translation (Joyce Theater, 175 Eighth Avenue, tel 242 0800). Christopher Walken is Iago in a free Shakespeare in the Park production of Otello directed by Joe Dowling, with Raul Julia in the title role. Tues, Wed and Thurs only till July 14. Tickets are distributed, one per person, at 18.15 on day of performance at Delacorte Theater. Enter Central Park West at Eighty-first Street, or *East at Seventy-ninth Street* and Fifth Avenue (861 7277). Ticketron answers inquiries and sells tickets for Broadway shows (246 0102)

PARIS

Palais Garnier 19.30 Opére Ballet in works by three American choreographers: William Forsythe, Jerome Robbins and Twyla Tharp. *Also tomorrow and Sat (4742 5371)*
Opéra Bastille 19.30 First night of Robert Wilson's new production of Die Zauberflöte, conducted by *Armin Jordan, with Carsten Stabell* as Sarastro, Gösta Winbergh as Tamino, Cynthia Haymon as Pamina and Christian Boesch as Papageno. Runs till July 19, with next performances on Sat and next Mon (4001 1616)
Châtelet 20.00 Concert performance of Meyerbeer's L'Africaine. Massimo de Bernart conducts the Chorus and Orchestra of Radio France, with Sylvia Brunet in title role and Jean-Philippe Lafont as Nelusko (4028 2840)
Opéra Comique 19.30 Two Offenbach one-act operettas, Une demoiselle en loterie and La rose de Saint Flour. Runs till next Wed, except Mon (4286 8883)
Centre Pompidou *20.30* Philippe Manoury's new work Neptune, an IRCAM production (4260 9427)

VIENNA

Staatsoper 19.30 Hildegard Behrens sings title role in Tosca, with Placido Domingo as Cavaradossi and Sharrill Milnes as Scarpia. Tomorrow: Fidelio. Sun: Domingo sings Otello (51444 2960)
Musikverein *19.30* Claus Peter Flor conducts Vienna Symphony *Orchestra* in music by Mozart and Bruckner, with Bruno Leonardo Gelber and Elena Bashkirova piano soloists. This is the last concert in the Musikverein before the summer break (505 9190)

ZURICH

Opernhaus 19.30 Europeras 1 & 2, *music theatre extravaganza* by John Cage, repeated on Sat. Tomorrow: ballets by Uwe Scholz and Pierre Wyss. Sun: Siegfried (251 0909)
Tonhalle 20.15 Michael Tabachnik conducts Tonhalle Orchestra in John Cage's Concert for Piano and Orchestra, Tabachnik's Le cri de Mohim and Beethoven's Egmont music (201 1580)

Theater 11 20.00 Merce Cunningham Dance Company present two works with music by John Cage (251 5900)
Schauspielhaus 20.00 Thomas Hurlimann's new play The Envoy, also Sun. Tomorrow and Sat: Exiles by James Joyce (251 1111)

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Power to the republics

THE CENTRALISED Soviet Union founded by Lenin and set in concrete by Stalin has reached the end of the line. The draft of a new Union Treaty now being negotiated between Moscow and nine of the 15 Soviet republics reflects the search for a freer and more prosperous successor.

The old Soviet state was effectively the preserve of the Communist party; decisions were made in Moscow; republican and other regional authorities were essentially subordinate branches of the monolithic centre. Tribute flowed from the periphery to the centre, mainly to finance the insatiable demands of a bloated military economy and great power ambitions.

The new draft treaty sets out to redress the balance by making the republics the principal repository of political and economic power. It also envisages that they will share responsibility for traditional central state functions like defence, foreign affairs and the budget. It does not even mention the Communist party.

Such a vision would not have been possible without the ideological and political crisis of the Communist party. It has not been renewed, as originally intended, but disoriented and demoralised by the policies of its general secretary.

Clear defeat

The clear defeat of communist and hard-line military candidates at the Russian presidential elections earlier this month has enabled Mr Gorbachev to swing away from his short-lived and apparently tactical alliance with the hard-liners. It has brought him back into alliance with Mr Boris Yeltsin, the Russian president, and other powerful proponents of a reformed Soviet state like Mr Nursultan Nazarbayev, the president of Kazakhstan.

Mr Gorbachev would like to become a US-style executive president of a future devolved Soviet state. He may have to settle for less. The draft treaty gives the republics much more "sovereignty" than that enjoyed by US state governments. They would be more like the sovereign nation state members of the European Community, empowered to act as "fully fledged members of the international community ... sign international treaties and take part in the work of international organisations."

Taxation powers

What is more the Russian and Ukrainian presidents oppose granting to Moscow the kind of tax raising powers enjoyed by the US federal authorities. The republics are unlikely to pay for the sort of military expenditure borne by the Soviet state until now. It is not hard to see why the Union Treaty in its present form has attracted such ire from traditionalists in the Communist party and the military and security establishment.

Although much horse-trading lies ahead before a final draft is approved, the document offers a reasonable way out of the Soviet impasse. Meanwhile, exact terms for the Baltic states, Armenia, Georgia and Moldova to leave the union remain to be defined by a new constitution.

The military and security establishment will, naturally, do all it can to ensure its survival. Some members may be tempted to use, or threaten the use of force. But the attempt to create a looser, federal state however is taking place against the background of impending hyper-inflation and economic collapse. The Soviet Union cannot afford the military expenditure which so distorted its economy and society. It needs a more devolved state which reflects its size and diversity. But the division of powers and responsibility must be clearly defined before foreign investment and technical assistance can flow.

Equal pensions

THE ISSUE of equality of treatment between men and women in pensions is, by any standards, a political and practical minefield. The potential cost implications for government and business run to billions; expectations of workers and future pensioners stand to be disappointed; and there is a powerful pensions lobby to make life hard for ministers if any circle remains unsquared. Small wonder, then, that the Secretary of State for Social Security, Mr Tony Newton, chose yesterday to push key issues into a future that will probably not dawn until after the next election.

The biggest problem that confronts the government is how to proceed in the light of the Barber v Guardian Royal Exchange Group judgment in the European Court of Justice. In essence, the court found that occupational pensions benefits are pay within the context of Article 119 of the Treaty of Rome, which demands equal pay for equal work. Discrimination between man and women in occupational pension schemes is thus a violation of Community law. But the judges failed to clarify whether the judgment applied retrospectively to pensionable service before the decision on May 17 last year.

Mr Newton has declared outright hostility to retrospection because it would impose unforeseen liabilities on employers which would be harmful for competitiveness and jobs. And he is right up to a point. Obvious difficulties arise in meeting the additional liability where, for example, a small number of workers support a large number of pensioners in the fund or where the company is in receivership. There is a risk that smaller companies will abandon paying pensions related to final salaries in favour of less onerous money purchase schemes which offer more uncertain benefits to pensioners.

That said, Mr Newton's figure of £40bn-£50bn for retrospective liability looks positively alarmist given the number of larger companies that have long since moved to a common pensionable age. Some pensions lawyers question whether leaving it to the European Court to clarify the issue through a test case at some distant date was the only available option. The decision to support a case concerning the Coloroll pension fund, where the company is in administrative receivership, has also been questioned on technical legal grounds.

Employers will welcome the government's decision to legislate as soon as possible to implement Community law in relation to the period since the European Court judgment, together with the related deferment of limited pensions indexation. They may be less happy that he has chosen to duck the equal treatment issue in the state scheme to which some private scheme rules are tied. Action will have to follow debate on a discussion paper.

Mr Newton, however, has at least clarified the government's thinking on pensions. One of the more encouraging features of his statement is its readiness to contemplate more flexible state pension arrangements, including equality of treatment within a scheme regardless of pension age. More choice on retirement ages would be welcome. Sadly, it will be an unconscionable time in coming.

Paying the boss

WHILE the UK economy is battered by storms, the country's privatised utilities are savouring glad, confident morning. Profits in gas, electricity, telecommunications and water are running at or above target – and grateful boards are rewarding their chief executives with huge pay rises.

Most British indignation about top people's pay is soapbox stuff. So long as pay levels reflect the market and corporate performance – not true of some recent awards – there is nothing to cavil at. But the utilities are different.

For a start, they are all monopolies or quasi-monopolies. While the regulators try to ensure that they do not exploit this unduly, it would be a poor manager who could not achieve rising profits by selling power or water to a captive market. Second, like all newly floated companies, they have been groomed to produce a steady rise in profits in the first few years after launch. The recent announcement that National Power is to halve its white-collar workforce by the end of next year reveals the extent to which the fat has been left in for shareholders.

A straightforward link between profits and top managers' pay is simply not acceptable given this following wind; quality of service is an equally relevant consideration and one which most non-executive directors, drawing their experience mainly from companies where competition acts as the regulator of excessive rewards, are not best placed to evaluate. It looks like another issue for the regulators.

Judy Dempsey on the next steps for Yugoslavia's republics

Balkan end-game

WHEN the two Yugoslav republics of Slovenia and Croatia declared their independence on Tuesday night, they knew exactly what they were doing.

Mr Milan Kucan, the president of Slovenia said: "The declaration means a formation of an independent state that is no longer a part of the Yugoslav federation." Yesterday morning, young Slovene conscripts started replacing road signs in the Serbo-Croat language with Slovene ones. After months of preparation, Slovenia and Croatia have cast the die.

The declarations of independence do not mean that both republics will secede from the federal republic next week, or even next year. But they set in motion a mechanism either to disengage completely from Yugoslavia, if negotiations on the country's future break down, or to remain in a newly-created loose confederation of sovereign states.

Meanwhile, the declarations pose immediate questions for the future shape of the Yugoslav state. First, they are seen as a direct challenge to the 180,000-strong federal army, which has repeatedly said it would not stand idly by and see Yugoslavia break apart.

The army is essentially thinking about its paymasters. Its budget, 3 per cent of gross domestic product, is paid out of the federal coffers. But over the past six months, there has been no federal budget. Since the republics could not agree, among other things, how much each should pay into the federal purse, the country has been run with loans from the national bank. The army is keen to retain its central paymasters.

In addition, 70 per cent of the officer corps is Serb, and the army top brass are veteran communists. This element is important because in any future flare-up of ethnic violence its impartiality will be in question. There have been several incidents between Croats and ethnic Serbs in Croatia in which the army has intervened. In each case it has failed to disarm the Serbs.

Whether the army could physically engineer any take-over is unclear. It has 100,000 conscripts, who reflect Yugoslavia's ethnic mix. It would be hard to imagine how ethnic Albanians could shoot Croats, or Macedonians arrest Slovenes because the army does not want to be manipulated into keeping the peace between these warring ethnic groups. However, circumstances may force Mr Ante Markovic, the federal prime minister, to send in troops if further violence breaks out between Serbs and Croats in Croatia.

The consequences would be horrific. Croatia and Slovenia each have their own armies – about 40,000 active and reserve police in the former and 30,000 in the latter. "There would be massive bloodshed," said one deputy during Tuesday night's emergency session of the (non-elected) federal government.

The federal government's attempt to use the army to cow Slovenia into submission has patently failed. In that sense, it has already lost the first battle to prevent the collapse of the Yugoslav federation. Another battle looms.

The second challenge posed by the declarations concerns the future of Yugoslavia's internal borders. Croatian officials always knew the border issue was going to be crucial, if only because they had already had experience of a restless minority ethnic group within the republic. Unlike neighbouring Slovenia, an ethnically homogeneous republic of 2m, more than 11 per cent of Croatia's 4.5m population is Serb. Many Serbs live in the Krajina, in the western part of Croatia. Earlier this year, the Krajina declared its autonomy and Serbs now control the region's administration.

The mutual hostility between Croats and Serbs in the Krajina is palpable. Serbs are picked up at random by plain-clothes Croat police and interrogated. Serbs provoke Croats by insisting they will never join the new independent Croatia. Racist stereotypes crop up repeatedly.

Ethnic hatred has gone beyond rhetoric. There are outbreaks of violence every day. Yesterday, three people were killed in Glina, a small town 80 kilometres south of Zagreb after local Serbs attacked a Croatian police station.

Federal Yugoslav officials have no idea what will happen to the Krajina. Mr Franjo Tudjman, president of Croatia, is in no position to cede the region to the Serbs because he is influenced increasingly by his nationalist Croat supporters who refuse to cede any territory. The status of the Krajina, however, symbolises other border disputes in Yugoslavia.

When the late Josif Broz Tito built the Yugoslav federation, he used the coercive instruments of the Communist party to maintain order and to suppress nationalism. The demise of communism last year released decades of pent-up nationalist sentiment that is being exploited by populist governments in the republics.

The republic most vulnerable to this pressure is Bosnia-Hercegovina. Tito gave the minority Moslem community a sense of security in a republic which peacefully housed Serbs and Croats and Moslems. But in recent months, Mr Slobodan Milosevic, president of Serbia, has tried to expand his borders to take in parts of Bosnia where Serbs have migrated over the years. This has provoked unrest among Bosnia's Moslem population.

They are determined to prevent any carve-up of their republic and have vowed to defend themselves against the Serbs.

Serbia's ambitions have already threatened the status of ethnic Albanians in neighbouring Kosovo. They have been suppressed by the Serbian police who took over control of the province last year. But the recent changes in neighbouring Albania could prompt a rebellion by the ethnic Albanians against their Serb overlords. There are similar simmering disputes in the other republics. Greece and Bulgaria have old, historical claims on Macedonia. In short, all the borders – within and without – are vulnerable.

That is why Mr Alija Izetbegovic, the president of Bosnia-Hercegovina, and Mr Kiro Gligorov, the president of Macedonia, are desperate to see their proposals for establishing a "community" of states succeed. The plans, placed on the negotiating table on June 6, envisage the establishment of six separate sovereign states under the umbrella of the Yugoslav state.

In practice, the republics would determine their own security and foreign policy; federal offices and institutions would be distributed around the country; full monetary union and a single currency would be enforced. The proposals go some way towards meeting the goals of Croatia and Slovenia. Their governments have always insisted that the continuing existence of a Yugoslav state was viable only if Serbia's influence was contained.

Why, then, are the republics not negotiating? One problem is that they are now driven by nationalist constituencies which are not prepared to make concessions. The second is that no republic trusts Serbia. Reluctance to negotiate about the country's future has led to the postponement of economic reform, and has affected economic growth.

Industrial output has fallen by an annual 21 per cent over the past five months, compared with a fall of 22 per cent in 1990. The federal government expects an overall current account deficit of at least $1.5bn for this year, but the sharp drop in tourist receipts means this target will not be met. The total current account deficit for 1990 was $2.2bn. The trade deficit in goods, $4.5bn last year, is expected to be only marginally lower for 1991. The government's aim of cutting inflation from 121 per cent in 1990 to under 70 per cent this year is unlikely to be met.

The lack of economic growth has stirred labour unrest. A third of the country's companies are unable to pay their workers. While the shops are full of food and consumer goods, many people cannot afford them. This discontent is now spilling over into strikes and demonstrations. Compounding the economic crisis is the fact that the International Monetary Fund and other lending bodies have withheld foreign aid until a federal budget agreement is reached. In addition, Mr Markovic is seeking $4bn-worth of credits to finance reform of the banking system and to service this year's $4bn foreign debt.

The government's well-intentioned programme to bring in privatisation and provide generous conditions for attracting foreign investment has been blocked by all the republics. Some industries, particularly in Croatia, have been nationalised by the republics so that they can control their economies directly and promote their own supporters.

The political crisis is now feeding off this economic malaise. It has become a vicious circle with no means of escape.

Wave of independence: Croatian president Franjo Tudjman

The EC's social divide

David Gardner on Britain's campaign over workplace laws

THE European Community's Social Charter retains its capacity to polarise. At this week's meeting of employment ministers in Luxembourg, the gulf between Britain's Tory government and its EC partners over social policy was once again on show. It is a gulf that will loom ever larger in the negotiations on political union which reach a critical new stage at the Luxembourg summit tomorrow.

On Tuesday the UK found itself alone on Tuesday in blocking another segment of the EC's "social action programme" – this time a package which would give working women the right to 14 weeks maternity leave on full pay, and forbid employers from dismissing women, or passing them over for promotion, on grounds of pregnancy. Mr Michael Howard, UK employment secretary, said he would also oppose Commission plans to set a maximum 48-hour working week.

More controversy is to come. Of the 47 measures in the Commission's programme, those so far passed by ministers are mostly uncontentious health and safety regulations with which the UK has no quarrel. The most ambitious measures are stuck far down the legislative pipeline. And in the middle distance is a measure likely to prove a red rag to John Bull: a directive creating European Works Councils in companies employing more than 1,000 people in more than one country. These councils would have to consult workers on job cuts, new working practices, introduction of new technology and so on.

Just as it has been in a minority of one in opposing such measures, Britain will probably be isolated in its efforts to stop the others. For the current controversies stem from a clash of philosophies.

Mr Howard said on Tuesday that "the most important social dimension of the single market is the creation of jobs". It is not a position Britain's partners readily understand.

The view of the remaining 11 member states and Brussels is formed by two interlocking ideas. The first is that comparative inequity between member states leads to distorted competition. This is the underlying economic premise of the EC Social Charter, which all except the UK signed in December 1989: that the EC labour market should be subject to common minimum standards, to ensure a level playing field ahead of the single market. The charter's other foundation is that relative inequity is socially pernicious, and undermines labour's commitment to the single market.

There are practical considerations too. The Germans, for instance, do not want their high social standards to be eroded by competition from partners with laxer social legislation.

At root the UK accepts none of these principles. It sees deregulation of the labour market – a core achievement of Thatcherism – as a prime means of achieving comparative advantage. Ms Vasso Papandreou, EC social affairs commissioner, summed up the divide on Tuesday night in a vitriolic attack on the UK's stance, saying: "I don't believe we can have a Community where we care about economic indices but not about people."

Britain is prepared to discuss certain social measures on a case by case basis, provided this does not fatally compromise its basic position of principle. On Tuesday, for example, it agreed to abstain to allow through a directive giving part-time workers the right to a contract after eight weeks in the job, provided they work a minimum of eight hours a day.

There is no doubt that some of the provisions in the social action programme have been sloppily drafted. The Commission has also upset countries like Spain and the Netherlands by trying to get measures such as the maternity package through the council of ministers by majority vote. This is allowed only for health and safety law whereas social legislation requires unanimity.

But the content of the measures proposed is usually more flexible than the UK pretends. While attempting to create a basic minimum "safety net" below which employment conditions can not fall, Ms Papandreou has said that actual standards can be set by negotiation between employers and unions rather than by law. This is the option favoured by UNICE, the EC employers confederation of which Britain's CBI is a member.

Mr Zygmunt Tyszkiewicz, UNICE secretary general, says he is "quite sure" his organisation could agree with the European trades union confederation (ETUC) on a formula for getting the works council and working time directives out of the pipeline.

Such practicalities have been overshadowed by the philosophical divide between Britain and the rest. And the whole debate on the content of social measures is being eclipsed by Commission proposals to get more scope for majority voting on social issues into the revised Treaty of Rome. This is one of the flashpoints of the political union negotiations, which enter the tough bargaining phase at the Luxembourg summit. The UK has made clear it will not relinquish its veto on social provisions, while Brussels has made clear it will not abandon its Charter measures. The UK and its partners have their pieces on the political union chessboard, and when the negotiations end not all the pieces will remain.

OBSERVER

As church mice

■ Watch out for the collection plates. It is a measure of the depth of this recession that the latest organisations to issue profit warnings are the Church of England and the Vatican.

The Cardinals in charge of the Holy See's finances report that the gap between what comes in and what goes out jumped over 50 per cent last year to $86.3m. Meanwhile, the Church Commissioners at their annual general meeting in London have approved cutbacks of a sort to impress Lord Hanson.

The Roman Catholic church still seems able to turn on the money tap to staunch the drain. It drew $58m last year from its annual "Peter's Pence" collection, and a big mystery donor washed out the rest of the debt.

Unfortunately, the Church of England is in a more precarious financial position. The property market slump helped to knock £800m, or 20 per cent off its investments. What's more, prospects for the early 1990s are "*not so good*".

If only parishioners would render 3 per cent of their income unto the collection box, instead of a mere 2½ per cent, all would be well. As things are, however, costs are mounting and there is no more money for parsonages and first-rate charities like the Church Urban Fund.

Moreover the cost of weddings is going up, the Church Army is laying off staff, and – is there no balm in Gilead? – there's even talk of freezing a vicar's £12,080 a year pay.

Honeymoon over

■ When Mary Robinson was elected Ireland's first woman president last November, bets were taken as to how long it would be before the outspoken barrister and former professor of law would clash with Irish Prime Minister Charles Haughey – a man who likes the stage of state to himself.

Until recently all seemed to run smoothly, with the president cutting ribbons and making worthy, non-controversial speeches, leaving the premier to get on with the important business of running the country. But over the past few days tensions have shown.

The Haughey cabinet vetoed Mrs Robinson's acceptance of a BBC invitation to give the annual Dimbleby lecture - on the status of women. Then on a state visit to Portugal last weekend, she admitted for the *first time* that she *was* not entirely happy with the way things were going, hinting that the very limited nature of the Irish President's role should be changed.

Moreover, the woman who *promised* a "*new and more* open" presidency, confessed to a "certain loneliness" in her new job – a feeling of being cut off.

Not so green

■ The British nuclear industry thought *it* had troubles – until it met the US Department of Energy's Leo Duffy. "We have an enormous problem", he told the British Nuclear Forum's conference in London yesterday.

He then dropped a few figures: 385,000 cubic metres of highly radioactive wastes, some in tanks which are leaking; 35,000 acres of countryside in Tennessee contaminated with radioactivity; 500 tonnes of mercury discharged into the ground, not to mention deadly chemicals from the electricity industry detected as deep as 275 ft.

Duffy, a phlegmatic engineer, has the job of cleaning it up. As director of the Energy Department's new office of environmental restoration and waste management, he has a *target date of* 2005 and a government promise of $5bn a year. He plans to spend $500m annually on research and development alone.

Even so, he says he can't do it without help from other *countries* and *is particularly* interested in the way British Nuclear Fuels has cleaned up its leaks at Sellafield. Besides making several solo visits - the latest this week - he has even brought a posse of state governors to Cumbria to show them how.

But BNFL is not letting him just pinch the ideas it has spent some £4.5bn developing. The company has already picked up a US contract worth several million pounds and expects more soon.

"We're not so green as we were", grins deputy chief executive Bill Wilkinson.

"Send someone in to lift my cigar."

Et cetera

■ It's looking as though Observer may have been wrong in saying yesterday that Latin is unlikely to return as the lingua franca of the new Europe. My comments that Finnish radio is already broadcasting in it on shortwave and Austria is planning to do so, have brought several reports of signs that the Roman tongue is beginning a revival.

One appears in the European Bank for Reconstruction and Development, which seems strange given that president Jacques Attali favours aides who speak French and conducts most board meetings in it. But outside the restaurant where employees rest from toiling to develop east European economies and keep their chairman under control, there are marble plates bearing the word "Culinarium".

Reports that Attali is under staff pressure to add a Vomitorium, appear to be merely speculative.

... no comment

■ The Portman Inter-Continental hotel in London's West End, has added "fish and chips in newspaper" to the menu in its four-star Bakery restaurant.

If, at £8.25, the treat is a shade pricier than we remember from the old days in Rotherham and Rochdale, the cod is marinated overnight in lemon-juice and Worcester sauce, the batter has a yeast base – and the price includes not only VAT but also a lemon.

"We used to use The Times and the FT, but now we only use The Times", a helpful waitress tells me. Why?

"Well, we have a regular delivery of both papers, for guests, but we find that there are no FTs left."

Time warp

■ Given Liverpool's crisis, it is perhaps fitting that the public clock towering above the city's magnificent council offices should have been stuck at 12 for several days.

The only question for the hapless citizens is whether it heralds the dawn of a new day, or high noon.

ECONOMIC VIEWPOINT

Payments hang-up under scrutiny

By Samuel Brittan

Any teenagers prepared to stop hyping up individual bad months can see that the UK current balance of payments is on a strongly improving trend. Because of the world economic slowdown export growth has declined to 1¼ or 1½ per cent per annum in volume terms. But imports have been hit more, falling by 4 per cent or 5 per cent per annum since the middle of 1990.

The best guess about the recorded current account deficit in 1991 is that it should come to £7½bn. It has fallen as a proportion of gross domestic product from 4 per cent in 1989 to about 1.3 per cent today – or perhaps nearer zero if account is taken of the various black holes in the world and UK balance of payments statistics.

* * *

There is, however, a non-teenage question. According to the pessimistic branch of the conventional wisdom, it is scandalous that there should be nothing better than a balance or a modest deficit when the UK is experiencing a much more severe economic downturn than most of its trading partners. Once recovery starts, it is said, the deficit will balloon out and recovery be stopped in its tracks.

This pessimistic view is soon to be documented in a forthcoming book by John McCombie and Tony Thirlwall, Economic Growth and the Balance of Payments Constraint[1]. Some official economists would argue that large payments deficits of more than 1 per cent of GDP have occurred during years of strong inflationary pressure such as 1973-74 and 1988-89. Indeed, imports then acted as a safety valve. Omit these inflationary years, and the deficits, when they occur, are manageable.

Private borrowers cannot defraud their creditors by printing money or devaluing

There is also, however, the more fundamental objection to the doomsters once advanced by Mr Nigel Lawson and Sir Terence Burns, namely that the current balance of payments is not a sensible policy target, and is in any case self-correcting.

This revisionist view still leaves open the question of what the practical limits are to the size of deficits, and how self-correction occurs. Since the advent of Mr John Major with his more commonsensical (or conventional) approach, the Treasury has ceased to think aloud on the subject, which is important none the less.

The starting point of the revisionists is that the current account deficit is not only the difference between imports and exports (adjusted for invisibles), but also the difference between domestic savings and domestic investment. (The narrowing of the UK deficit in the course of 1990 indeed reflected a fall in domestic investment and a rise in domestic savings in almost equal measure.)

The savings-investment approach highlights the wrong-headedness of saying that balance of payments deficits are always bad. For in that case there should never be any net international lending and borrowing, and each country's investment should be limited to its own internal savings. Of course there can be unwise borrowing and lending – which is what seems to worry a recent Bank for International Settlements author, nostalgic for a payments constraint; but this is as likely within as across frontiers[2].

Of course countries cannot borrow without limits. The nature of these limits was the subject of papers at a conference of the Centre for Economic Policy Research, soon to be published[3].

How much overseas borrowing is in the end compatible with solvency? The authors start out from the obvious proposition that an individual, company or government will be in trouble if the growth of its net debt continues to exceed the growth of its income: a piece of common sense, which is now called the "intertemporal budget constraint".

A cushion of net overseas assets such as the UK enjoys can help to keep the debt threat at bay in the face of considerable payments deficits. The precipitate drop in the value of these assets last year had little to do with payments deficits, but was largely accounted for by by the fall in the dollar and Wall St. Fortunately, part of the drop has already been reversed.

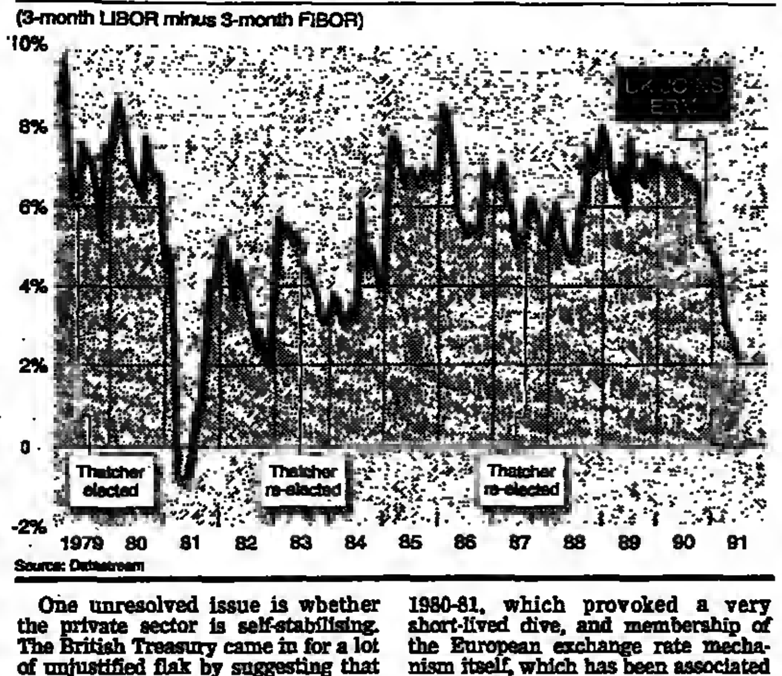
There is clearly a rate of current deficit, which would eventually erode these assets and lead to the piling up of overseas debt instead. But the papers in the CEPR book, and similar highbrow research, do not provide a straightforward answer to the policy problem, if any, then arising.

UK Trade Volume
(exc. oil and erratics)
% change at annual rates

	Imports	Exports	Deficit % GDP
1986	+7.1	+2.4	0
1987	+8.6	+7.6	1.0
1988	+14.6	+4.4	3.3
1989	+7.4	+9.2	3.9
1990	+1.2	+7.3	2.5
1990 1st half*	+4.0	+9.9	3.5
1990 2nd half*	-5.4	+1.4	1.3
1991 Jan-May*	-4.3	+1.9	1.3**

*Over previous half year; **estimate
Source: CSO

UK-GERMAN INTEREST RATE DIFFERENTIAL
(3-month LIBOR minus 3-month FIBOR)



Source: Datastream

One unresolved issue is whether the private sector is self-stabilising. The British Treasury came in for a lot of unjustified flak by suggesting that it was. Yet companies and individuals that run up imprudent debts are in the end brought to book. For, unlike governments, they cannot defraud their creditors by printing money or devaluing the currency. On the revisionist view the important thing for the government is to limit its own deficits rather than to worry over the private sector's.

Another issue is whether there is a solvency constraint on overseas borrowing separate from that on the domestic variety. The main difference is that overseas lenders to countries such as the UK or France still require an interest rate premium to offset the risk of currency depreciation.

Looking at the differential in three-month interest rates between London and Frankfurt one is struck by how little it has been affected either by the rundown of the oil-induced UK payments surpluses in the early 1980s or the later swing into deficit.

The only two events which have really slashed the differential have been the speculative bubble in sterling associated with the UK experiment in domestic monetarism in 1980-81, which provoked a very short-lived dive, and membership of the European exchange rate mechanism itself, which has been associated with a more sustained fall in the premium form from well over 6 per cent last summer to just over 2 two per cent now. The fall in actual and expected inflation has been helpful this time round in adding credibility to the ERM parity.

The highly technical study of the UK experience by Charles Bean in the CEPR volume comes to very similar conclusions. He considers that financial deregulation and optimistic income expectations were primarily responsible for the fall in UK savings relative to investment. He expects both these factors to be largely temporary, and agrees that a current deficit should be self correcting. But, writing well before the event, he warned that the price of correction was likely to be a severe recession.

We are not in clear water yet; there could still be upsurges in the premium at any time this or a future government's commitment to the ERM parity came into question.

So although the mechanistic effects of the official balance of payments deficit are enormously exaggerated by commentators stuck in a time-warp, overseas borrowing is never going to be quite like the domestic variety until the exchange rate risk is eliminated, which means permanently fixed exchange rates and eventually a single currency. There is a level of sustained current deficit, which would indeed cause the interest rate premium on sterling to shoot back upwards, even though we cannot calculate in advance what that is.

Indeed the ability to dump the balance of payments problem once and for all is among the greatest but least emphasised advantages of European monetary union. One absurdity of the payments preoccupation is that it treats trade between Sussex and Normandy on an entirely different basis from trade between Sussex and more distant Yorkshire, for which we fortunately do not have trade and payments statistics. The distinction is the more peculiar as all three regions are supposed to be in a single market.

It is true that some balance of payments problems will reappear in regional form inside a monetary union. But only some. Those deficits which are either statistical illusions or temporary, or reflect normal lending and investment, will disappear as problems, leaving only a hard core remainder where there is difficulty of structural adjustment.

Trade between Sussex and Normandy should be treated like trade with more distant Yorkshire

What are the pessimists cited earlier in this article really saying, if we remove the artificialities of frontiers and currencies? Everything they say can be decomposed into two problems, an inflation problem and a basic competitiveness one.

By a "basic competitiveness problem" I mean that there is something so wrong with British products or service that they would not be sufficiently competitive even if Britain maintained the same rate of inflation in traded products as competitor countries. In that case they could only be sold by lowering their prices relative to their competitors and turning the terms of trade against themselves. To do this successfully would require downward pressure on wages; and if this were resisted it would be a further source of unemployment and low growth. In other words Britain is like East Germany or Northern Ireland writ large.

My own view is that there are few such UK structural problems that another decade of Thatcherism, shorn of the former prime minister's chauvinistic, currency and similar hang-ups, could not cure. But even if I am wrong the problems are misdiagnosed in balance of payments terms.

[1] *Macmillan 1992*
[2] *Capital Flows in the 1980s, by Philip Turner. BIS Economic Paper No 30 Basle*
[3] *The External Constraints on Macroeconomic Policy, Cambridge University Press, £30*

BOOK REVIEW

From couture to chocolates

PIERRE CARDIN, THE MAN WHO BECAME A LABEL
By Richard Morais
Bantam Press, 364 pages, £14.99

To rephrase Churchill's famous aphorism, Pierre Cardin is undoubtedly a conceited man, but then he has a lot to be conceited about. From Palinuro to Peking, his name is on everything from ties to frying-pans, from dresses to chocolates. At the last count he had 840 licensing deals in 98 countries. Nobody knows how much he is worth, though Richard Morais, in his unauthorised biography, guesses Cardin must earn between $35m and $45m a year in royalty income worldwide, and that worldwide wholesale sales must be $900m to $1bn.

He is undoubtedly one of the world's most successful businessmen, and how he got there is a fascinating story which Morais tells colourfully and well. It is no hagiography: neither is it a hatchet job. He has caught the essence of the man – the charm, the air of the slightly crumpled ageing boulevardier, the nervous energy, the obsession with detail, the preoccupation with self, the inability to delegate and, above all, the drive that took him from being a designer of haute couture clothes to the head of one of the world's largest fashion empires.

A key year was 1961. His empire was in trouble. As labour and material costs rose, so the market for haute couture had shrunk to some 3,000 women. Cardin was over-extended and in difficulty. Something had to be done. Instinctively Cardin found the answer. "I want," he told Jean Manusardi, an administrator at the Chambre Syndicale (haute couture's organising body) whom he was approaching to be his partner, "to build up a business . . . I don't want to be like the others. I don't want to borrow shoes from X, hats from another, handbags from a third. I want everything to be Cardin." Manusardi thought: "It sounded a bit megalomaniacal, but all couturiers are megalomaniacs. They have to be." He also saw that "it really was very intelligent".

And so it proved. From now on marketing, not design, was to be the key. Cardin was not the first to see that haute couture as such would never again pay its way, but he was to take the idea further than the pioneers, Coco Chanel and Christian Dior, and exploit it. His empire grew larger than everybody else's because he did it better and bigger than anybody else.

Interesting though this business story is, the real fascination lies in the character of the man. Business is commonly believed to be a matter of bottom lines, of appraising markets, of knowing about production methods and where to cut costs. But the Pierre Cardin story illustrates perfectly the real quality that marks out the ordinarily capable businessman from the genius . . . that indefinable thing called flair.

Mr Kim Moltzer, husband of the Princess of Croy, a *directrice* of the house of Cardin, summed it up when he said: "He feels how people can be useful to him, without appearing cynical and calculating. It's based on intuition. He is not a man of reflection or thought, but his intuition is usually right."

Yet for all his achievement, Morais shows that Cardin is still a driven man. What is it all about? It has long ago ceased to be about money. In his down-at-heel office in the rue du Faubourg de Saint-Honoré, Cardin seems irked by the fact that he has money, power, a name known from Venice to Vladivostock and beyond, and yet he feels something still eludes him. He has not yet conquered the elite salons of Paris. There they are still inclined to be sniffy about commerce. A successful businessman? *Bien sûr.* An original, creative designer? *Pas exactement.* Those accolades they reserve for Yves St Laurent, Karl Lagerfeld, Christian Lacroix. When your work is your life, this rankles. He still hopes for the top spot in the world where he began, to be number one at fashion, too. For Pierre Cardin, no other place is good enough.

Lucia van der Post

LETTERS

Clarity and less "short-termism" for directors' pay

From Mr Peter M Brown.

Sir, There are two simple amendments to current accounting practice that might take some of the shock out of the unexpected and, to some, unjustified directors' remuneration increases.

The first would be an extension to the balance-sheet note on *directors' pay stating* whether there were any accumulator or bonuses which are "ticking up" over time, though there may have been no payments in the year under review.

Second, that the remuneration committee's external advisers should be named alongside the auditors with a statement showing whether they draw any other fees from the company.

There is a need for non-executives to show that they are *also* independent directors with the right to commission their own studies on executive remuneration, audit practices or any other area of corporate governance.

Peter M Brown,
chairman,
Top Pay Research Group,
upper ground floor,
9 Savoy Street,
London WC2R 0BA

From Mr Dennis Henry & Mr Geoff Smith.

Sir, The importance of setting the right target for the measurement of company performance and the reward of senior executives was highlighted by Mr Ward and Prof Mills (Letters, June 24). They referred to an earlier article in 1988 which stated: "Statistically, there is, overall, only a modest relationship between shareholder return and EPS growth".

More recent work – accounts available to us by June 12 1991 – shows that over a five-year period there is no correlation at all.

The coefficient is −0.057 for a sample of 250 largest UK industrial and commercial companies, with a combined turnover exceeding £420bn.

Does not the present emphasis on earnings per share as a measure for top-level reward, used in many companies, itself contribute to the "short-termism" problems of which industrialists are so critical of the City?

Would not greater stress on growing shareholder value be more in the long-term interests of everyone?

Dennis Henry,
director,
business performance,
Geoff Smith,
associate director,
P-E International,
7 Clairmont Gardens,
Glasgow G3 7LW

Sustainable use of resources

From Ms Rachel Kyte.

Sir, John Hunt reports (June 10) that Britain is to take the lead in standard-setting for environmental performance of business and industry.

While it is true that many industries have learnt the hard way (catastrophe, public awareness, dirty man image) that environmental performance is a necessary part of the strategy to maintain market share, there is still humming and hawing over an appreciation that the market is intrinsically "green"; that the sustainable use of resources is the only way to preserve competitiveness and profitability in the long term. It is a matter of survival.

At the recent second World Industry Conference on Environmental Management (WICEM), a voluntary business charter for sustainable development was launched.

While I welcome these two initiatives the crunch comes with implementation. First, multinationals and the trend-setters in industries must apply their standards across their assets (from black townships in South Africa to Milton Keynes). Second, the bigger, stronger companies must ensure trickle-down of ideas and capacity to medium-sized and small companies, which make up the bulk of the industry and business sectors.

And the timescale for this? Build upon the momentum gathering towards the United Nations Conference on Environment and Development which is to be held in Brazil next June.

Rachel Kyte,
assistant executive director,
Centre for Our Common Future,
Palais Wilson,
52 Rue des Pâquis,
CH-1201 Geneva

Targeting the growth of M3

From Prof Wynne Godley.

Sir, In his article, "The revenge of the monetarists", (June 24), Martin Wolf states that "in the first half of the 1980s the Treasury targeted broad money (then M3) quite closely".

This statement can be read as supporting the dangerous *myth* (purveyed *inter alia* by Mr Tim Congdon) that the economic experiment of the early Thatcher years was a success in its own terms but that it was subsequently betrayed.

So far as I can ascertain, the relevant facts, which are contained in the table below, contradict Mr Wolf's claim. In every year *except for one*, the recorded growth of M3 exceeded the upper end of the targeted range set for that year, on two occasions (1980-81 and 1981-81) by very large amounts.

Wynne Godley,
Dept of Applied Economics,
University of Cambridge

Recorded growth and targeted range of M3

	Growth*	Target†	Target‡	Target§
1980-81	17.5	7-11	–	–
1981-82	16.1	6-10	6-10	–
1982-83	13.3	8-12	5-9	5-9
1983-84	8.0	7-11	7-11	4-8
1984-85	11.7	6-10	6-10	6-10

*Growth of M3 during financial year; †M3 target range for year in Budget of year in question; ‡Ditto in Budget one year previously; §Ditto in Budget two years previously.
Source: Economic Trends Annual Supplement 1988, Table 33. Successive financial statements and Budget reports

Denial that early morning eroticism is key to Telecinco's success

From Mr Pedro Paniagua.

Sir, With regard to Peter Bruce's article about Miguel Duran (European Diary, June 4, and published in the Spanish newspaper, La Vanguardia, the following day), it was said, among other things, that Telecinco has obtained great success based mainly on pornographic and erotic early morning shows.

This is completely false, and I regret that such a serious and well-informed newspaper as yours follows the Spanish reality through a correspondent *who does not seem* to know the television market in Spain.

Erotic programming in Tele 5 hardly fills three hours a week out of a total of 130 hours of programming – representing 3 per cent of the weekly programming.

Our success – the fact that *we are considered by the audience* as the second television channel in Spain – is, obviously, not due to some of our programmes (the erotic ones), which are followed by no more than 200,000 to 300,000 people.

Tele 5 success, on the contrary, has been based on an innovative style of television, which has revolutionised the traditional Spanish audiovisual scene.

Our television is also considered to be an inexhaustible source of supply of the most important showmen nowadays – and this may also be considered *part of our success.*

Programmes produced by Tele 5, such as games, quiz shows, documentaries and musical and sport shows, are among the most-followed of any network.

And last, but not least, our channel owes its success to the films and series which are considered to be the best to be screened on television on a worldwide basis. Twin Peaks and The Godfather, which were broadcast a few weeks ago, are good examples of this.

Pedro Paniagua,
director of external relations,
Gestevision Telecinco SA,
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Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday June 27 1991

House committee passes plans on foreign ownership and extending branch networks

US bank structure reforms approved

By Peter Riddell, US Editor, in Washington

FAR-REACHING changes to the structure of the US banking system have been approved by the Honse of Representatives' banking committee.

They would allow banks to set up nationwide branch networks and permit the ownership of banks by commercial businesses.

The committee yesterday backed proposals to end the ban on commercial businesses owning banks in spite of concern that foreign, especially Japanese, industrial groups would be able to buy into the American benking eyetem.

Supporters of the change argued that it would draw more capital into the banking system.

However, this provision faces several further hurdles and is strongly opposed hy leaders of the House energy and commerce committee, as well as by many in the Senate.

There is more support across Congress for nationwide branch banking, which would permit banke to operate throughout the US via an integrated branch network. This provision has the backing of most Democrats as well as Repnblicans on the Senate banking committee and is the most likely of the structural changes proposed by the Bush administration to become law later this year.

Mr Nicholas Brady, the treasury secretary, has stressed the importance of this change for increasing efficiency and spreading risk.

He has repeatedly quoted an estimate of McKinsey and Co, the consulting organisation, that banks could save $10bn in costs from the propoeed changes.

At present banks are not allowed to run branch networks across state lines and holding companies can acquire banks outside their home states only with the approval of state regulators.

Various proposals to give continuing discretion to individual states over whether out-of-state banks can open branches in their states were rejected by the committee, though the issue is certain to be revived when the legislation goes to the floor of the House.

Nationwide branch banking would benefit groups such as NCNB, Citicorp and BankAmerica, which already own separately capitalised subsidiaries in a number of states, enabling them to bring them together in one network.

Approval of the proposals represents a defeat for the smaller, independent banks. However, amendments were adopted to increase pressure on large banks with interstate hranches to lend in the areas where they are seeking deposits.

Foreign bankers fear reforms; Brady says S&L rescue to require more funds, Page 6

THE LEX COLUMN

The price of the boss's pay

The row over UK directors' pay is reaching the point where the equity market will have to take notice. The issue falls into two parts: the privetised ntilities and the rest. It is tempting to dismiss the first as comically remote from the real world; people who have happily been doing the same job for years are suddenly paid several times as much just because the business has changed hands. But it has e bearing on the more serious question, which relates to the division of spoils between shareholders and workforce in the corporate sector as a whole.

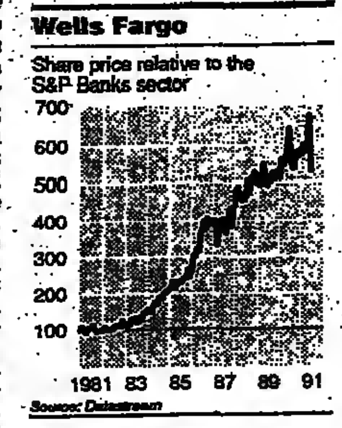
Throughout the cyclical upswing of the late 1980s, corporate profits rose sharply as a proportion of GNP. This was chiefly at employees' expense. At BP, for example, the net profit attribntable to shareholders in 1985 was a third the size of the company'e wage bill. By 1989 it was the same size. As profits rose, so did the chairman's salary. In 1985 BP's chairman was paid 16 times as much as the everage member of BP's workforce. Last year he was paid 53 times as much. In Glaxo's case, the multiple went from 16 times to 41 times. The same pattern holds, in less extreme terms, for companies as diverse as WH Smith and Trafalgar House.

Now that the economic cycle has turned, the pattern should start to reverse. The right way is through cnts in directors' pay.

The trouble is that the furore caused by the more extreme exemples of late-cycle increases, together with the one-off daftness of the utilities, risks pushing up employees' pay instead. Now that the ERM is there to stop such costs being passed on, the market should be as worried as Mr Major.

FT-SE Index: 2,437.3 (−23.9)

Wells Fargo



Source: Datastream

Mr Newton rightly implied yesterday that it would be economic nonsense if the forthcoming test cases such as that involving the Coloroll Group pension scheme find this to be eo. Companiee, however, should not take his soothing noises to mean that the much-needed clarification will ultimately go the UK's way.

The European Court is a deeply political animal with an inimitable knack for tortuous compromise. Its record would suggest more sympathy for the perceived underdog than for *pleas from industry. The Dutch* and German governments, it is true, support the UK; but both Italy and Spain, where occupational pension provision is minimal, can afford to be generous. Those discriminatory schemes with surpluses should hang on to them.

EC pensions

As a former UK prime minister railed yesterday against erosions of national sovereignty, the present social security minister quietly reminded the pensions industry that a key issue affecting its future could only be determined in the European Court.

The story goes back to last May, with the verdict of that most under-rated of supranational institutions establishing equal pension entitlements between women and men. What is still not clear, though, is whether the judgment applies retrospectively to benefits based on previous service as well as to those accruing since the dste of the ruling.

European cars

It is hard to imagine the European Commission caving in to the latest demands from the car industry for financial help in restructuring to fight Japanese imports. Not only is the Community short of cash, it would risk charges of favouritism. Similarly, fresh subsidies by national governments would undermine the level playing field which the single market is out to create.

The manufacturers' move thus seems more designed to wring from the Commission a longer transition period for relaxing import restraints, along with tighter controls on Japanese vehicles produced inside the EC. Otherwise the already acute pressure on margins will intensify even when consumer demand recovers. Whether the Commission will be able – or willing – to convince the Japanese authorities of this point is less certain.

The current downturn, affecting all European markets except Germany, is cyclical, but longer term market growth prospects are modest by historical standards. With its high wage costs, even Volkswagen looks like having a tough time facing down Japanese competition. More vulnerable are companies like Fiat and Renault whose home markets are heavily protected. Ultimately there may not be room for everybody, but that is the sort of rationalisation the single market was designed to enforce.

Wells Fargo

Having acquired a reputation as that rare thing, a well-managed US bank, Wells Fargo probably knew it had a long way to fall if the market ever changed its mind. The sudden reversal of the last three days means Mr Warren Buffett will pay 15 per cent less per share if he sticks with his decision more than to double the 10 per cent stake he bought earlier this year.

Other investors have clearly been glad to bail out after successfully defying fundamentals for months. Wells Fargo may have made its name largely by avoiding the disastrous mistakes of ambitious rivals; but it was quietly taking unusual risks of its own.

Of the top 50 US banks, Wells Fargo has by far the highest proportion of high-risk assets to equity, while its capital ratios are significantly worse than average. The worrying thing about its warning of higher second quarter loan losses is that the problems are not mainly in real estate, as the market expected, but in commercial and leveraged loans. The bank's large real estate loan book may be relatively unscathed so far, but while California is coming out of recession, its property market has yet to hit the bottom. If this lending were to go sour to the degree experienced by the average US bank, Wells Fargo's equity base, let alone its dividend, would be vulnerable.

Amstrad

At their peak on March 14, Amstrad shares stood at 88.5p: they are now 54p. In the nine days from March 6 to March 15, five directors sold shares, the last man out being Mr Alan Sugar, tha chairman, with 42.8m at 79p. Yesterday's profits warning confirms that the company is, as accident-prone as ever. Shareholders should probably follow the directors' lead more promptly in future.

Police back Inland Revenue search of company headquarters and executives' homes

Taxmen launch raid on Nissan UK

By Kevin Done, John Griffiths and Richard Waters in London and Andrew Jack in Worthing

BRITAIN'S Inland Revenne yesterday raided the offices of Nissan UK, the car distributor, and the bomes of present and former executives in an investigation of suspected tax offences involving serious fraud and bundred of millions of pounds.

The dawn raid, the largest searcb the Inland Revenue has ever undertakeo, concentrated on 13 different locations in southern England including tbe company's headqnartere and the homes of two leading executives and two former finance directors.

It included the offices of some of NUK's financial and legal edvisers, as well as the homes of Mr Octav Botnar, the secretive chairman and managing director of both Nissan UK Holdings and the allied company Automotive Financial Group Holdings.

Nissan UK said the homes of Mr Michael Hunt, NUKH and AFGH director and largest personal ehareholder, and the homes of two former NUK finance directors, Mr Frank Shannon and Mr Peter Hirsch were also raided.

"The chairman was clearly very upset as wa all are," said Mr Anthony Fraser, director of external relations. "We are quite sure there will be no action arising from this. We are co-operating fully. It's business as usual tomorrow."

At the headquarters of Nissan (UK) in Worthing, on the English south coast yesterday the only movement came from e steady trickle of Inland Revenue staff carrying crates and plastic bags stuffed with files to vans waiting outside.

Only a bandful of senlor staff were allowed into the NUK offices yesterday morning to belp 55 Inland Revenue investigators search for documents and computer files.

With the Nissan UK group of companies Mr Botnar controls one of the biggest and most profitable privately owned businesses in the UK. They had e combined pre-tax profit in 1989/90 of £142.6m ($232.43m) on a turnover of £1.76bn. They are ultimately controlled by two trusts registered in Panama and in the Bahamas.

NUK, which for 21 years has beld the exclusive franchise for the distribution of Nissan vehicles in the UK, is already embroiled in a fierce legal battle with Nissan Motor, Japan's second largest car maker which has cancelled NUK's distribution contract with effect from the end of 1991.

The Inland Revenue said the investigetion, code-nemed Operation Bluebird, had no connection with Nissan Motor.

The raid involved 135 Revenue officers backed by police.

It was a so-called "Section 20 C" raid under the Taxes Management Act of 1970, according to which the Inland Revenue must first satisfy a circuit judge that it has "reasonable grounds for suspecting tax offances involving sarious fraud".

No arrests or interviews were made yesterday and the Inland Revenue said it was too early to predict future developments from the raids.

Those raided included Grant Thornton, accountants, which said it had been visited in Portsmouth and Worthing in connection with the Revenue investigation into "the company and connected persons".

Mr Mike Lickiss, senior partner, said the firm had been adviser to Nissan UK for more than a decade, but he did not know what it had advised on or whether it had advised directors on personal tax.

An Inland Revenue official takes documents from the headquarters of Nissan UK

Iraq accused of breaking treaty terms

By Michael Littlejohns, UN Correspondent, in New York

MEMBERS of the United Nations Security Council were last night considering how to respond to what they see as a serious breach by Iraq of its Gulf war ceasefire terms after inspectors were this week twice denied access to a suspected nuclear site near Baghdad.

A report by Dr Hans Blix, head of the International Atomic Energy Agency which is conducting the inspections, said full access was finally granted yesterday after official UN protests.

However, by then activities which had been observed earlier from a distance had stopped at the site "and objects that had been seen had been removed".

No further details were made public.

The Iraqi military authorities' behaviour caused serious concern in the Security Council whose members considered the situation in private consultations.

Officials said an open meeting may take place later to give the delegates an opportunity to voice their dismay.

Mr Abdul Amir Al-Anbari, the Iraqi delegate, sought to play down the incident, saying that the inspections were continuing normally and that Iraq was co-operating with the UN by identifying sites and providing transport.

Kuwait to commute sentences

By Victor Mallet, Middle East Correspondent

KUWAIT yesterday commuted to life imprisonment all death sentences imposed on those suspected of collaborating with Iraq's occupying army.

Since the liberation of Kuwait in February, 29 men and women, most of them Palestinians or stateless Arabs, have been condemned to die by a martial law court criticised for its summary justice.

Various governments and international agencies appealed for clemency, although many Kuwaitis assumed from the start that the ruling al-Sabah family would revoke the death sentences in keeping with past practice.

Mr Mohammed Abulhasan, Kuwait's ambassador to the United Nations, told Mr Javier Pérez de Cuéllar, the UN secretary-general, yesterday that Kuwait would commute the sentences because of Mr Pérez de Cuéllar's clemency appeal.

Mr John Major, the British prime minister, raised the issue at a meeting in London yesterday with Sheikh Saad al-Sabah, the Kuwaiti Crown Prince. "The Crown Prince said he was commuting all the death sentences," an official said. "The prime minister welcomed the news."

Kuwaitis and some expatriates resident in the country during Iraq's seven-month occupation remain extremely bitter about collaborators who gave the Iraqis information about the Kuwaiti resistance, the whereabouts of western hostages and the location of goods to be looted.

Exchange controls, Page 4

Concern over Nigeria's use of oil windfall

By William Keeling in Lagos

NIGERIA mey have already spent more than half the windfall it received from higher oil export earnings during the Gulf crisis.

The receipts, which donor agencies estimate at about $5bn, resulted in e 76 per cent rise in official oil export earnings from $7.5bn in 1989 to $13.2bn last year.

Economists working for donor agencies say that at least $3bn is not accounted for in central bank figures for the period between July 1990 and last month.

The shortfall has led to concern that the government bas embarked on a programme of extra-budgetary expenditure. One western diplomat said: "Higher oil earnings gave an illusion of wealth at the worst possible time, just as the timetable for the withdrawal of the military from government was beginning."

The country's military administration is due to hand over power to e civilian government in October next year.

Costly projects undertaken since last July have been the sending of troops to Liberia as part of the West African intervention force, the holding of the Organisation of African Unity summit earlier this month, and the start on construction by Ferrostahl of Germany of e controversial DM2.4bn ($1.33bn) aluminium smelter.

Donor agencies estimate the cost to government of the intervention in Liberia to be $250m-$500m.

Although the cost of the actual operation was far less, the intervention has acted as a catalyst to increase military expenditure, including a contract for 150 tanks from Vickers of the UK.

The OAU summit is believed to have cost more than $150m, inflated by the short time in which the facilities were built following the decision to hold the summit away from the OAU headquarters in Addis Ababa.

According to diplomats, the cost of the Mercedes stretch limousines bought to transport the heads of state exceeded the level of contributions made to the OAU by member countries last year.

Diplomats say that the capital cost of the aluminium plant is 60-100 per cent higher than similar plants elsewhere in the world. International creditors have called for the project to be scrapped.

Disagreement over expenditure on the smelter may block any attempt by Nigeria to obtain debt reduction from the Paris Club of creditor nations, to which it owes $17.5bn. Nigeria has applied to the club for debt reduction and has informally requested terms similar to those recently granted to Poland.

EC close to accord on external frontiers

By David Gardner in Luxembourg

EC interior ministers were last night within e whisker of agreeing a Convention on External Frontiers, the precondition for the free movement of people within the Community from 1993.

But after a form of words was found to reassure the UK that the agreement implied no obligation to dismantle internal border controls, Spain held up the accord by insisting that special mention of its dispute with Britain over Gibraltar's status be included.

The British and Spanish delegations were locked in bilateral negotiations last night with the Luxembourg presidency of the EC, to see if yet another form of words could be crafted to safeguard their conflicting claims to sovereignty over Gibraltar.

This is the first time the issue of Gibraltar has arisen since negotiations on the convention began in 1988. From Spain's point of view, Gibraltar should be an external frontier over which it exercises sovereignty. Spain's fear, though last minute, was that signing e convention which recognised the concerns of the UK over external frontiers, would prejudice its claim to Gibraltar in the future.

The convention, by reinforcing the Community's external frontiers, makes it possible for border controls on people moving inside the Community to be dismantled. Eight member states have already started lifting controls within the separate Schengen convention.

The UK, however, is opposed to relinquishing internal border controls. It argues that this would gratuitously help illegal immigrants, terrorists and drug traffickers.

It further differs with its partners in maintaining that Article 8A of the Single European Act – covering the free movement of people inside the EC from 1993 – does not mean that non-EC nationals can move freely within the Community after they have passed external border checks.

Britain's specific concern was that if it checked through its airports a non-EC national en route to another country with that country's visa, it would implicitly be recognising the future internal border regime. As a result of yesterday's wrangles, the Convention will not apply to airports until 1995. Spain and the UK, it appeared last night, would reach agreement whereby the Convention would not apply to Gibraltar until they resolve their sovereignty dispute.

● Switzerland is proposing new measures to deter refugees, Renter reports from Berne.

Justice Minister Arnold Koller said the number of asylum-seekers had surged 35 per cent to 17,500 by the middle of May compared with the same period last year, and was expected to reach 45,000 by the end of the year.

WORLDWIDE WEATHER

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Pickens' sun sets in the east

Mr T. Boone Pickens, the Texan corporate raider, yesterday officially ended his attempts to elbow his way on to the top table of corporate Japan, as he offloaded a 26.4 per cent stake in Koito Manufacturing, the automotive parts company. Mr Kitaro Watanabe, a Japanese stock investor, land developer and used car salesman, resumed control of the 26.4 per cent share, which he sold to Mr Pickens in March 1989 and provided the necessary finance of Y143.1bn ($1.03bn). Page 23

Soviet harvest of woe

As the Soviet Union's harvest approaches, there are more sad tales about Soviet agriculture: Combine-harvesters are being delivered without cabs; the government has spent millions of dollars to import pesticides which have not reached the fields; food production has already fallen 7 per cent over the first five months of this year; and the country will again have to import millions of tonnes of grain. Page 32

Researching far-flung bonds

As international investors scout around for high-yielding bond markets, demand for research on some of the second tier and more obscure bond markets has increased. Several securities houses have widened their research briefs to provide investors with information about the Spanish, Italian, Scandinavian, Portuguese and Belgian bond markets. Sara Webb reports. Page 26

The devil and the deep blue sea

The HMS Illustrious (left), now lying idle and engineless at Devonport naval base, symbolises the plight facing many British defence contractors waiting for the Ministry of Defence to sort out its requirements and spending priorities. Devonport Management Limited (DML), which runs the government-owned repair yard, had hoped to start the £120m ($195.4m) refit on the aircraft carrier next month, a task that represented a large part of Devonport's planned workload for the next two and a half years. It says a prolonged delay would "inevitably have financial consequences". Page 29

ERF moves into reverse

ERF the last independent, publicly-quoted UK truck maker, yesterday announced a £4.5m loss for the year to March on the economic recession afflicting the industry. The year before, it made £3.3m. Mr Peter Foden, chairman, said in the last quarter of trading, UK heavy vehicle registrations fell 35.8 per cent from the previous equivalent period. Page 30

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				GTM-Entr.	430	+	15
Falls				La Henin	609	+	20
BMW	492	−	18	Falls			
Bayer Verein	396	−	10	CGIP	942	−	38
Fag Kugel	263	−	9	Peugeot	572	−	15
Lahmeyer	955	−	15	Sp. Batignol	425	−	20
Schmalbach	365	−	14.5	TOKYO (Yen)			
Wella Prf	696	−	11	Rises			
NEW YORK ($)				Sanwa Doki	800	+	70
Rises				Taiyo Kaiun	400	+	40
Apple Comp	43⅞	+	⅞	Tokyo Tungsten	1170	+	100
C & S/Sovran	22¼	+	3⅜	Towa Electron	665	+	65
Texas Engy	19⅜	+	1⅝	Falls			
Falls				Tokyo Radiator	521	−	57
Beazer	5½	−	2⅛	Uniden	1750	−	290
NCNB	37½	−	⅝				
Wells Fargo	68¼	−	4⅜				
PARIS (FFr)							
Rises							
Fonc. Lyonn	798	+	23				

New York prices at 12.30.

LONDON (Pence)				Barratt Devs	92	−	12
Rises				Bass	909	−	23
Courts (Furn)	252	+	13	Beazer	89	−	27½
Erskine Hse	82	+	7	Belgo (AF)	33	−	7
Green Prop	80	+	10	Burton	50	−	4
Kewill Systs	286	+	14	Fisons	488	−	18
Lep	90	+	10	Kingfisher	472	−	14
Meyer	179	+	14	Mowlem (J)	265	−	23
NORWEB	192	+	6	Rank Orgsn	628	−	21
Wagon Indl	306	+	12	TLS Range	18	−	12
Falls				WPP	122	−	9
Amstrad	54	−	11				
BG	100	−	18				

IBM and Apple postpone technology pact

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines and Apple Computer have indefinitely postponed elaborate plans to announce a technology alliance that was to have drawn together two of the biggest rivals in the personal computer market.

They had planned to announce today an agreement to swap IBM chip technology for Apple software.

The companies have declined to confirm or deny they have been involved in intense negotiations over the past few weeks, and yesterday were unavailable for comment on why the widely-anticipated agreement has been delayed.

Apple is, however, understood to be willing to collaborate with IBM, its arch rival in the personal computer market, in personal computer software development.

In return, IBM would give Apple access to its latest microprocessor technology by licensing Motorola, Apple's primary supplier, to make the semiconductor chips.

The cause of the delay is uncertain, but Apple and IBM are understood to be working towards an agreement that could radically change the course of personal computer technology development.

Apple is the undisputed leader in making personal computers easier to use through its graphical user interface software.

IBM, however, has developed what many regard as world-beating Reduced Instruction Set Computing (RISC) microprocessor technology currently used in its high performance computer workstations.

If the computer companies are able to reach a final agreement, Motorola, the largest US chip maker, is expected to manufacture the IBM-designed chips for Apple under licence from IBM.

An IBM-Apple alliance would give Motorola a significant boost after the chip maker apparently failed to persuade Apple, one of its biggest customers, to adopt its own RISC microprocessor design for use in future products.

The combination of Apple's software and IBM's chip technology could set a new standard for the next generation of desktop computers, presenting a formidable challenge to competitors such as Compaq Computer and Digital Equipment, which recently announced plans to create compatible products based on Mips Computer's rival RISC microprocessors.

Beazer is floating its European businesses which were the foundation of the construction and housebuilding group

Selling a family heirloom

By Andrew Taylor, Construction Correspondent, in London

MR BRIAN Beazer, 56-year-old chairman and chief executive of Beazer, will this autumn bid farewell to the UK provincial housebuilder from which the construction and building materials group began its rise in the 1980s.

The housebuilder, based in Bath in the west of England and founded by Mr Beazer's father in the 1930s, is a small part of the group's European housebuilding, construction and commercial property division to be floated on the London stock exchange as a separate company.

The European division is mainly made up of other UK-based housebuilding and contracting operations and Beazer needs the money to reduce group borrowings. These now stand at about £1bn ($1.63bn), equivalent to 94 per cent of shareholders' funds. Most of the borrowings are in dollars raised to finance the $1.7bn purchase of Koppers, the US building materials group, in 1988.

On Tuesday Beazer asked representatives of more than 100 banks to approve refinancing plans including the rescheduling of existing debt and easing covenant agreements.

A new facility would be secured against Beazer's US building materials businesses, which are to be retained by the group.

The decision to float the UK subsidiaries will have been a bitter one. On sale will be Britain's fourth largest housebuilder, a national and international contracting operation turning over £600m a year, and a modest commercial business based mostly in the UK. All this from a housebuilding company which in 1979 had a turnover of less than £20m a year.

Mr Beazer became chairman on his father's death in 1983 and has been largely responsible for the group's transformation into an international business with sales of more than £2bn in the 12 months to the end of June 1990.

Acquisitions during the mid-1980s included: French Keir, a UK and international contractor for £144m in 1986; the Nottinghamshire-based housing operations of Christian Salvesen for £13m, also in 1986; MP Kent, a West Country property developer and housebuilder for £34m in 1984; and William Leech, a national housebuilder for £25m in 1985.

UK housebuilding has produced most of the profits for the European division, which includes only a small amount of housebuilding and commercial property in continental Europe.

Operating profits from residential and commercial property, before interest, were £76m during the 12 months to the end of June 1990. Of this, commercial property contributed only about £8m.

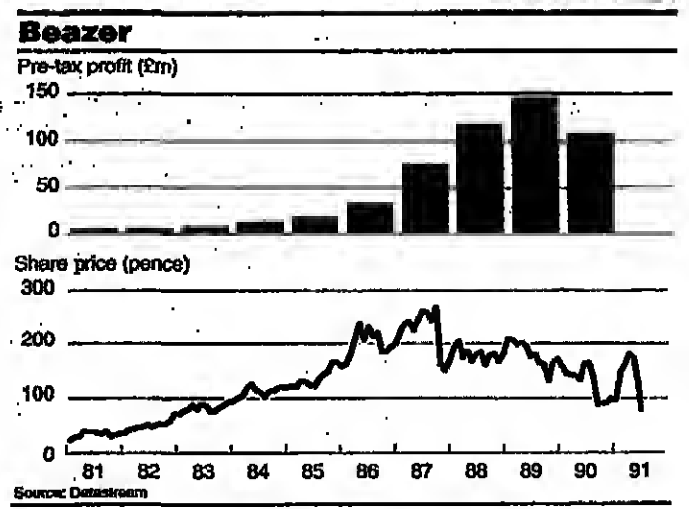
In the current financial year the group has sold about 5,000 homes compared with 6,300 during its peak two years ago. It has a UK housing land bank of 17,000 plots with planning permission equivalent to just more than three years' supply. About 45 per cent of this was acquired before 1988 at low prices.

UK and international contracting, based around the former French Keir operations, is thought to have made a profit of £10m last year following losses during the late 1980s. Difficulties caused by bidding low prices to win work in the mid-1980s have now been overcome, says the group.

Current contracts include £60m of work on the Sizewell B nuclear power station in Suffolk, England; two privately-financed UK power stations for GEC, worth £16m; a share in the £500m Lesotho Highlands water project in South Africa; and £40m of work on the multi-billion pound Cairo Waste Water project in Egypt.

Beazer, which is seeking to raise up to £500m by floating these businesses, says housebuilding is set to recover following recent falls in UK interest rates and that construction is producing a positive cash flow in spite of a difficult UK market.

UK assets, which will form most of the new company, had a book value of £307m in the last annual accounts. However, Beazer's share price has fallen almost 40 per cent in the past two days showing that the company faces a struggle to convince investors of the attractions of the flotation.



Brian Beazer: severing his bridge between US and Europe

Roads constructed into the US

By Nikki Tait in New York

WHEN Beazer bid for Koppers in 1988, citizens of Pittsburgh, the chemicals and construction group's hometown, cut up their American Express cards in protest.

Shearson Lehman, Amex's parent, had led the deal and arranged the financing.

In the closing days of the battle, Mr Brian Beazer, Beazer chairman, tried to placate opponents to a foreign takeover by promising to use Pittsburgh as a future US base.

Three years later, Beazer is planning to turn itself into a US company. Shorn of its European housebuilding operations, the company will be a significant building materials group, ranking as the second largest US aggregates producer in a fragmented industry. Some analysts see longer-term potential for these interests.

Beazer's US operations stem from its 1986 purchase of Gifford Hill, a Dallas-based cement and aggregates producer, for $283m. In management terms, Gifford Hill has been more important: the top strata of Koppers left after the bid, leaving Gifford Hill executives in senior positions.

Operations include quarries and cement plants, some construction and housing interests, and a property investment and management operation.

Beazer has exposure on both coasts and in the south, notably Texas. California accounts for about 40 per cent of revenues; the north-east for about 30 per cent; and Texas/the south for some 12 per cent.

Just under half its products are used in road construction and perhaps 60 per cent in public works, while private housebuilding accounts for around 15 per cent. Together, these businesses generated turnover of just more than £1bn ($1.63bn) in the year to June 1990 and operating profits of £113.2m.

Beazer argues that after a period of relative neglect the US will have to repair its roads and bridges and invest in new infrastructure such as airports. As one of only a handful of quoted companies offering broad exposure to the near-$50bn US infrastructure market, it should benefit from any resurgence.

Although there are signs that the slump in the Texan construction market may have bottomed out, conditions in California remain grim.

"The biggest question," says Mr Barry Nelson, analyst at Louis Nicoud, "is 'when is the recovery coming?'"

Amstrad to write down £20m against unsold PCs

By Michael Skapinker in London

AMSTRAD is to make an exceptional £20m ($32.6m) write-down against unsold stocks of personal computers which is likely to result in severely reduced full-year profits.

The UK-based electronics company said yesterday it had planned to sell stocks of its PC2000 computers at reduced prices.

It had hoped sales of higher-margin products – such as satellite receiving equipment and laptop computers – would enable the company to reduce PC2000 stocks while allowing a small profit in the second half of the year, which ends this Sunday.

However, the economic downturn in the UK and Germany resulted in disappointing satellite equipment and laptop sales and prevented the disposal of the PC2000 computers, Amstrad said.

The write-down is a blow to Amstrad's attempts to restore its fortunes after successive profit downturns in 1988-89 and 1989-90.

Mr Alan Sugar, Amstrad's founder and chairman, had described 1990-91 as a "year of making money", but the company has been buffeted by the UK recession and the downturn in the computer industry worldwide. Amstrad made a first-half pre-tax profit of £40.1m. The write-down, coupled with tough trading conditions, will mean that full-year profits will be markedly down on the £43.7m in 1989-90.

The PC2000 series has been dogged by ill fortune since its introduction in 1988.

Faulty hard-disc drives damaged the series' reputation and led to the recall of 7,000 computers.

Amstrad said yesterday that it was seeking compensation from suppliers of the disc drives.

Mr Sugar said that there were signs of life in the UK satellite equipment market. He added, however, that the company's new PC3000 range and laptop computers were selling only "moderately well".

Earlier this year the head of Amstrad's UK operation was dismissed and Mr Sugar said he and his directors would take control of the British business, which last year accounted for 43.5 per cent of sales.

He did not think that, following yesterday's announcement, Amstrad shareholders should feel aggrieved that he had sold £34m worth of shares at 79p each last March. The shares fell 11p yesterday to 54p.

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Penrice buys ICI soda ash groups

By Robert Peston in London

ICI yesterday reached agreement to sell its UK and Kenyan soda ash businesses, which were among its core operations when the company was formed by the merger of four companies in 1926.

The disposal, for £90m ($146m), is the first significant asset sale since February, when ICI announced its intention to reorganise. The buyer is Penrice, a highly borrowed company formed in 1989 to acquire ICI's Australian soda ash interests.

ICI said the businesses were not "regarded as core to the company's long-term strategic objectives, which concentrate on businesses with long-term international growth prospects".

The businesses have a combined turnover of £150m and employ 1,850. Since February, ICI has sold or closed companies and reorganised others so that 5,000 employees have left the group.

Mr David Wertheim, Penrice's finance director, said the UK and Kenyan businesses made pre-tax profits in excess of £10m in the year to December 31. However, ICI said it was making a loss on the disposal, because it was receiving less than book value for the assets and there were some redundancy costs. It declined to quantify the loss, but said it would be deducted from the £300m provision it made to cover the costs of restructuring.

Penrice is receiving financial backing from Byvest, a Sydney-based management buyout group, and from Citicorp Venture Capital. It is changing the name of the UK business back to Brunner Mond, the name of the original soda ash company merged with three other companies to form ICI.

Today the plants at Winnington and Lostock sell 90 per cent of all soda ash consumed in the UK. Pilkington, the glassmaker, is a key customer, as soda ash is an ingredient in glass production. It is also used in metals refining, detergents, chemical processing and water purification.

Mr Wertheim said that Penrice expected only modest sales growth from soda ash.

ICI's trade unions said they were concerned about the sale. Mr Wertheim said there had been staff reductions in the businesses for years and these would continue.

Last December, the European Community competition directorate fined ICI Ecu17m ($19.38m) for operating a cartel in soda ash. But ICI is appealing against the fine, according to an EC statement put out yesterday.

Endesa, Sevillana face dispute

By Tom Burns in Madrid

SEVILLANA, the Spanish electrical producer, and Endesa, the government-controlled otility which is seeking to take it over, are facing s show-down today.

The two have been on a collision course for several weeks in a dispute which has significant implications for the government's plans to pare Spain's fragmented electricity sector from the present eight leading players into at most three companies.

Unless Endesa agrees to negotiate a co-operation agreement with Sevillana – which in practice means shelving its publicly stated plan to acquire 40 per cent of Sevillana – Mr Fernando Ybarra, Sevillana chairman, will ask his board when it meets this evening to back an all-out defence against the public utility's ambitions on the company.

If they fail to reach an eleventh hour agreement, Endesa is expected to ask the governmeot, whicb has its weekly cabinet meeting tomorrow, to authorise it to launch a full takeover offer for Sevillana.

Sevillana's lawyers are understood to have drawn up a defence plan that, if necessary, will be pnt before the European Commission.

The brief, which will call on the Commission to investigate the takeover bid should it be launched, alleges unfair competition on the part of Endesa and accuses it of abusing its special privileges in the sector to make inroads on its competitors.

The chief privilege enjoyed by Endesa is that the private utilities have to buy the power that it generates (Endesa itself does not distribute to the consumer) at a price set by the government.

Sevillana claimed last night that the rules governing Endesa "are in flagrant contradiction with Community legislation."

The utility already owns 9.8 per cent of Sevillana, which it acquired in a stock market raid two years ago, as well as 20 per cent of Fecsa which distributes electricity in Catalonia and 8 per cent of Union Fenosa, the producer in Spain's north west. Endesa's aggressive ecquisitioo strategy came into tbe open earlier this year when it bought Electra de Viesgo, a small private utility in the north of Spain.

Mr Inigo Oriol, president of Hidrola, one of the main electricity companies, described a hostile bid by Endesa for control of Sevillana as "unthinkable".

Endesa says that "its patience has run out" in its negotiations with Sevillana.

"We have furnished Sevillana with full details on what would be the industrial and financial collaboration between the companies under our control," Endesa said.

This development would be a severe embarrassment for the government which will have to choose between the political consequences of a nationalisation and Endesa's urgent need to gain, via Sevillana, a profitable distribntion outlet and, along with this, a significant position in the reorganised electrical sector.

BNL replies to 'curious and repeated attack'

By Haig Simonian in Milan

BANCA Nazionale del Lavoro (BNL), the state-owned Italian bank which is the biggest single creditor to Agrifactoring, the financial services group involved in the collapse of Federconsorzi, has attacked criticisms of its behaviour in the affair.

Mr Giampiero Cantoni, BNL chairman, said the bank was being subjected to "a curious and repeated attack," in which it is heing presented as the cause, rather than the victim, of Agrifactoring's difficulties.

Broadening the offensive, Mr Cantoni said that the Federconsorzi affair had resulted in the overall credibility of "Italy Ltd" being called into question by the international press.

According to Mr Cantoni, BNL would "refute any unjustified pressure," particularly regarding Agrifactoring.

The BNL group, which owns 50 per cent of Agrifactoring and provides its management, has been heavily criticised by a number of foreign banks.

Some banks have taken steps to back up their pressure, including the freezing or removal of trading or credit lines. In a separate newspaper interview, Mr Cantoni said he was not aware that any foreign banks had taken such action.

Speaking to a parliamentary committee investigating BNL's role, discovered in 1989, in granting some $3bn in unauthorised Iraqi letters of credit, Mr Lamberto Dini, director general of the Bank of Italy, said the repercussions of the Agrifactoring affair were causing some "preoccupation".

While foreign bank creditors were showing greater signs of accepting e negotiated solntion for Federconsorzi'e problems, Mr Dini said the banks had much greater difficulty in accepting the fact that BNL did not intend to take full responsibility as Agrifactoring's largest shareholder.

Kabi Pharmacia makes up the right prescription

Clive Cookson reports on Procordia's subsidiary

IF a successful conglomerate can be defined as a group diverse enough to make money out of apparently contradictory business activities, then Sweden's Procordia certainly qualifies. It makes both cigarettes and anti-smoking drugs.

Procordia, which is owned 40 per cent by the Swedish government and 40 per cent by the Volvo motor group, includes the Swedish Tobacco Company as a relic of its days as a state holding company. And its pharmaceutical subsidiary, Kabi Pharmacia, is Europe's leading supplier of nicotine chewing gum for people who want to give up smoking.

Kabi Pharmacia, Sweden's second largest pharmaceutical group, was formed last year when Procordia took over Pharmacia – then a free-standing drug company controlled by Volvo – and merged it with its own Kabi business.

Kabi Pharmacia is only slightly smaller than Astra, star performer of the Swedish pharmaceutical industry. Its 1990 sales were SKr8.4bn ($1.29bn), only just behind Astra's SKr9.4bn. As a fast-growing independent company, however, Astra is much more visible to the financial world than Kabi Pharmacia, which is wrapped up in a complex conglomerate with interests running from food and tobacco to hotels and cleaning services. Pharmaceuticals represent about 35 per cent of Procordia's sales and 40 per cent of its profits.

Both Kabi and Pharmacia went through a troubled period in the 1980s. Kabi was hit hard hy contamination scares surrounding some of its key products, and Pharmacia suffered from losses at its division making biotechnology equipment.

But executives of the merged group say that the troubles are behind them. The cost-cutting programme announced when the merger took effect last June – designed to cut 1,300 jobs and save SKr600m a year – is going according to schedule, says Mr Hakan Aström, executive vice-president.

"In research and development it is very difficult to reduce staff. The projects we have abandoned are not bad projects and the people who have spent their lives on them are very disappointed," Mr Aström says. "But we have to concentrate our resources and we've had to move in a non-Swedish way, with speed and urgency, though it is still taking more time than I had hoped."

Kabi Pharmacia, now Europe's 20th largest pharmaceutical group, is already looking ahead with a growth strategy designed to give it worldwide sales of £1.5bn ($2.44bn) a year by 1995 and £2.5bn a year by 2000.

Mr Jan Ekberg, chairman, said Kabi Pharmacia would concentrate on the European market for the next three or four years. "When this has been done we will intensify our involvement in the US and Japan."

Kabi Pharmacia spent £130m on research and development last year. The company has decided to concentrate research on five strategic areas where it believes it has a good chance of discovering new drugs: urology/gynaecology, cancer, blood clots and bleeding, growth disorders, cataracts and other eye diseases.

"The goal is to launch a new original drug at least every five years," says Hans Sievertsson, research director. "While allocating 50 to 55 per cent to research on original drugs, it is our intention to invest 35 to 40 per cent of our resources in short and medium-range projects and 10 to 15 per cent in long-range basic research."

Areas where Kabi Pharmacia is developing new formulations of existing drugs include gastro-enterology, intravenous nutrition and Nicorette anti-smoking products.

Mr Aström says Kabi Pharmacia is happy with its position inside the Procordia group. "Our expansion programme would not be possible without the Procordia strategy."

KABI PHARMACIA		
Sales to year-end:	1990	1989
Biological pharmaceuticals	2.3	1.8
Chemical pharmaceuticals	1.9	1.8
Hospital nutrition and anaesthesia	1.5	1.3
Ophthalmics	1.3	1.5
Nordic operations	1.2	0.8
Other	0.1	
Total	8.4	7.3

All figures are in billions of Swedish kronor

Danisco rises to DKr1.27bn

By Hilary Barnes in Copenhagen

DANISCO, the group created in 1989 hy a merger of Danish Sngar, Danish Distillers and the Danisco food ingredients company, reported an increase in operating profits from DKr1.10bn to DKr1.27bn ($183m) in its first full fiscal year to April 30.

Sales advanced from DKr11.92bn to DKr12.47bn and net profit rose from DKr946m to DKr995m despite slack demand conditions in Denmark and recession in a number of foreign markets.

The company has restructured since the merger and has completed several acquisitions.

Acquisitions cost the group DKr1.03bn last year, but divestments yielded DKr604m, said the preliminary report.

Group sssets rose from DKr12.73bn to DKr14.23bn, with equity capital rising from DKr4.58bn to DKr5.16bn. Investments of DKr1.31bn in plant and equipment were made, and DKr277m spent on research and development.

Oceana launches bid for Etam

By Jane Fuller in London

A SOUTH African-controlled company yesterday launched a £121m ($197m) hostile bid for Etam, the UK women's fashion chain, half an hour before a deadline apparently imposed by the Takeover Panel.

Oceana Investment Corporation, a vehicle for the Lewis family which runs the Foschini fashion chain in South Africa, has been stalking Etam for about a year.

It increased its stake to more than 25 per cent via a tender offer in early May and has since been contemplating whether to make a full 185p-a-share bid, as well as taking its holding to nearly 28 per cent.

It is understood that tbe panel had set a deadline of 5pm yesterday for Oceana to state its intentions. Oceana's move was announced at 4.24pm. Etam's share price had crept up from 180p to 182.5p ahead of it. This compares with s low this year of 87p.

The 185p bid price is a first and last one, unless a third party steps in. It matches the tender price and was stipulated as a maximum during that offer, whicb was about 11 per cent oversubscribed.

Mr Alan Howard, Etam chairman, said: "We will resist this attempt to grab Etam on the cheap at the bottom of the retail cycle."

Etam's pre-tax profit fell 51 per cent to £8.5m from £17.5m on sales of £206.5m, against £181.2m, in the year to January 26. It was the worst result since 1983-84.

Swedish Ordnance to axe 1,685 jobs

By Robert Taylor in Stockholm

SWEDISH Ordnance, Sweden's leading arms manufacturer, plans to cut its workforce by 1,685, or almost 30 per cent, from its present 6,600. The company said a further run-down in its workforce might be necessary by the year-end or early in 1992.

The cuts are part of the radical restructuring of the Swedish defence industry in the face of reduced defence speoding and intensified competition in the international arms trade.

The company – which was formed at the beginning of this year with an annual turnover of SKr5bn ($769m) – is jointly owned by the Bofors defence division of Nobel industries and the state-run engineering concern FFV.

Mr Bert Sjolin, the chief executive, said the cutbacks stemmed from the falling demands of Swedan's armed forces.

The company said it expected to have a mnch worse financial result in 1991 than it had budgeted for.

The Swedish trade unions reacted with alarm to the news of the scale of the proposed redundancies. It follows a reduction of 1,700 jobs already carried out over the last three years at Bofors.

The timing of the new redundancies has not yet been decided.

BCM to control Portuguese insurer

By Patrick Blum in Lisbon

A GROUP led by the Banco Comercial de Macan (BCM), a Macao-based bank, has won control of 25 per cent of Companhia de Seguros Bonanca, Portugal's fifth largest insurance company, following its partial privatisation.

In a surprise outcome to a second round of the auction late on Tuesday, the BCM group including Parfin, an Italian financial services and investment company, and three Portuguese construction companies, control of 25 per cent of the capital. The victory came after its bid was raised from from Esc7.2bn ($45m) to Esc9.35bn ($59m) for the block of 1.5m shares.

The group came third in the first round and left its two other competitors for the block with the impression that it would not be raising its bid.

After its victory, Mr Manuel Carvalho Fernandes, BCM's president, said the group's objective was to build up its holding in Bonanca to 40 per cent. BCM is 50 per cent owned by Banco Portugues do Atlantico, Portugal's largest commercial bank which was 33 per cent privatised last December.

INTERNATIONAL COMPANIES AND FINANCE

Nova falls into red and warns of dividend cut

By Bernard Simon in Toronto

NOVA Corp of Alberta has sunk into the red and has warned that it will cut its dividend if plans to separate its pipeline and chemical businesses fail to come to fruition.

The warning coincides with a C$196m (US$172m) share offering designed to lighten the Calgary-based company'e C$3.2bn debt burden at a time when it is investing heavily in new natural gas pipeline capacity.

Nova said yesterday that a feasibility study on creating two separate companies for the pipeline and chemical divisions, originally due for completion in mid-June, has yet to be finalised.

Matters to be resolved include negotiations with banks to provide working capital and credit lines for the new chemicals company, and the composition of the boards and senior managements of each unit.

The proposal to separate the two businesses reflects their divergent needs and performances. The regulated pipeline system, which collects almost all Alberta'e gas output for transmission to the rest of the continent, accounted for only 16 per cent of Nova's first-quarter revenues but 63 per cent of its operating income.

Three-quarters of the company's C$700m investment this year is earmarked for pipeline expansions. But the chemicals business, whicb includes Nova's 43 per cent stake in Husky Oil, is being plagued by sagging prices for petrochemicals, oil and natural gas.

Nova said that it expects to post a second-quarter loss of about C$20m, of which C$8m is its share of Husky's losses in April and May.

The company is seeking a buyer for its Husky stake. Husky's controlling shareholder, Hong Kong magnate Mr Li Kashing, has so far shown no inclination to increase his holding.

Nova began accounting for its Husky interest on June 1 as an asset "held for sale". From that date, it no longer includes its share of Husky's earnings or losses in net income.

Nova'e share price dipped by about 50 cents in early trading on the Toronto Stock Exchange yesterday from its Tuesday close of C$8.88.

The plan to split the company in two can still be implemented by October 31 if the feasibility study is completed during July. Should the split proceed, the pipeline company expects to raise about $350m in new equity in a period of nine months and will pay a dividend "consistent with industry standards". The cbemicals company, however, will probably pay no dividends for at least three years.

Nova has already disposed of several businesses to contain its debt and improve cash flow. It sold its large synthetic rubber division last year to Bayer of Germany.

Tate & Lyle gains in bid to take over Bundaberg

By Mark Westfield in Sydney

TATE & LYLE moved significantly closer to its goal of owning 50 per cent of Bundaberg Sugar of Australia yesterday when a flood of acceptances from institutions and small shareholders took the UK sweetner group to 29 per cent.

Bankers Trust Australia began the rush when it revealed thatit had accepted for its 7.7 per cent, nearly doubling the 8.6 per cent Tate & Lyle had revealed earlier in its daily substantial-shareholder notice.

When news of the BT acceptance reached the market, Commonwealth Bank accepted for its 10 per cent, followed by hundreds of small ehareholders who pusbed acceptances for the day to over 20 per cent.

It was the most volatile day of the 14-week, bostile bid, during which acceptances had gone to Tate & Lyle at a painfully slow pace.

Tate & Lyle launched its bid on March 19 at A$3.70 a share and later increased the offer to A$4.10.

The catalyst for the surge was Tate & Lyle's ultimatum to ehareholders a fortnight ago, giving them a deadline of 5pm tomorrow to receive acceptances for at least 50 per cent before it would remove all conditions from its A$325m (US$250m) bid. It said it would walk away from the bid if it bad not secured control by then.

After receiving the approval of the authorities early this month, the only significant condition remaining was 90 per cent acceptance.

A spokesman for Bundaberg's advisers, Macquarie Bank, said he expected Tate & Lyle to get "tantalisingly close" to 50 per cent by tomorrow evening.

According to a BT director, Mr Ross Finley, the decision to accept or not had been "touch and go over the last week".

"We always thought it was worth a little more, but in the end the risk/reward was not in our favour," he said.

Tate & Lyle's adviser, Mr Bill Beerworth, said he was confident another 5 to 6 per cent from small and medium-sized shareholders would accept today.

Two of Bundaberg's largest shareholders, the AMP Society (7.7 per cent) and National Mutual Life (7.4 per cent) have still not yet accepted and could decide the fate of Bundaberg.

● Saint Louis, the French sugar and foods group, is to take a 34 per cent stake in the Kaba sugar works in Hungary in partnership with Tate & Lyle, writes George Graham in Paris.

The British company had announced its interest in the Kaba plant in February.

Mr Bernard Dumon, Saint Louis's chairman and chief executive, said the Kaba works had a capacity of around 80,000 tonnes of sugar a year and accounted for 15 per cent of Hungarian production.

The French and British companies have pre-emption rights on the rest of the sugar works' capital if the Hungarian government should decide to privatise it completely.

Pickens sells 26.4% share stake in Koito

MR T. BOONE PICKENS, the Texan corporate raider, yesterday officially ended his attempts to elbow his way on to the top table of corporate Japan as he off-loaded s 26.4 per cent stake in Koito Manufacturing, the automotive parts company with close links to Toyota Motor, writes Robert Thomson.

Mr Kitaro Watanabe, a Japanese stock investor, land developer and used car salesman, said yesterday that he had resumed control of the 26.4 per cent share which he had sold to Mr Pickens in March 1989 and for which he had provided the Texan with the necessary finance, Y143.1bn ($1bn).

Mr Pickens had indicated he would sell the stake because his attempts to win a seat on the Koito board had failed, but his ettempts to portray the case as a symbol of Japanese corporate collusion were partly undermined last December when it was revealed the purchase had been bankrolled by Mr Watanabe's Azabu group of companies.

A Koito spokesman said the company was aware that the shares had been transferred back to Mr Watanabe's Azabu, but a formal comment would be made after the Finance Ministry was notified. He was relieved the Koito's shares were "now a completely domestic matter".

Mr Kitaro Watanabe had apparently accnmulated the Koito stake with a view to Toyota or Koito repurchasing the shares from him, but that greenmail ploy failed and he struck up a friendship with Mr Pickens.

Mr Pickens' attempts to convince corporate Japan he was a long-term shareholder with a genuine interest in automotive parts, in particular, lights, ran into tronble in December when the government introduced tougher share disclosure regulations.

It is widely believed the new regulations were inspired by Japanese officials' horror at the arrival of Mr Pickens and their determination to flush out Mr Watanabe as the Texan's backer. The regulation change, which forced investors with stakes of 5 per cent or more in listed companies to file the details of their interests, did indeed make the Japanese system more open.

While Mr Pickens failed to get s seat et the top table, he certainly left a mark on corporate Japan.

T. Boone rides off into the Japanese sunset

Robert Thomson and Nikki Tait on the Texan's ill-fated showdown with the 'keiretsu'

THE end of the two-year showdown between Mr T. Boone Pickens, the Texan corporate raider, and Koito Manufacturing, the Japanese car parts maker with close links to Toyota Motor, brought knowing nods yesterday from officials at the Japanese company.

Koito had always argued thet Mr Pickens nevsr intended to be a long-haul shareholder, casting doubt on his claims to be a crusader for a more open, less collusive corporate Japan.

However, Mr Pickens maintained he was confronting the keiretsu bead-on - keiretsu are the Japanese corporate families identified by the US government as a serious barrier to fair trade.

His foray into Japan has provided some colourful corporate scenes. Just a year ago, be angrily left Koito's annual meeting in Tokyo at which be had been repeatedly attacked by Japanese shareholders.

He said the episode proved Koito was "against foreigners", and he promised to "raise hell" in Washington about Japanese corporate practices.

However, US trade officials were uncomfortable abont using Mr Pickens as a symbol of Japanese unfairness, particularly because of his links to Mr Kitaro Watanabe, the Japanese greenmailer who had sold him the shares in 1989 and lent him the money to buy them.

Both Mr Pickens and Koito brought together impressive teams of advisers and publicists. Koito hired Nomura Wasserstein Perella, the joint venture between the US mergers and acquisitions boutique and Nomura Securities, which produced a long treatise on Mr Pickens' taxation history.

Mr Pickens had wanted four seats on the Koito board for Boone, his private investment company, and access to Koito's financial records. He said it was unfair that Toyota, which had a 19 per cent stake, should have three seats on the board, while he was refused access in spite of holding 26.4 per cent.

From Mr Pickens' standpoint, the final act in the Koito saga marks a grim, and decidedly muted, phase in the once swash-buckling corporate raider's career. The spotlight has swung from predatory ambitions to more mundane attempts by his Mesa Limited Partnership to restructure its very chunky debts.

Only this month, Mesa – which was not involved in the Koito situation – announced it had completed two financing deals, effectively giving the Dallas-based natural resources group more breathing space.

The more eignificant involved Mesa raising $616m of long-term debt through a private placement bandled by Salomon Brothers. Simultaneously, Mesa, which made a net $208.9m loss last year, agreed a new $150m bank facility with a Texas branch of the French Société Generale bank.

Pickens: claimed to be crusader for an 'open' Japan

These deals, in turn, followed the sale of oil and natural gas properties to three eeparate purchasers for an aggregate $440m.

Such restructuring efforts were not achieved without e struggle. The initial $350m deal to sell reserves to Seagull Energy collapsed last winter when the buyer failed to complete its financing. In the event, Seagull completed a revised deal in March, acquiring Oklahome and Texas-based properties for $210m.

Mr Pickens says these moves will allow Mesa to "aggressively pursue new business opportunities" in the natural resources field.

However, the compsny's basic problem – depressed gas prices – remains, and Mesa acknowledges there is unlikely to be any turnround this year or next.

As for Koito, the Pickens camp was declining to disclose the terms of yesterday's deal, while questions about the costs of the edventure were being deflected with the suggestion that the "American public", at least, has been educated about Japanese protectionism. Mr Pickens, it seems, may be having a rougher ride, but he will never lack nerve.

NCNB opens merger talks with big regional bank

By Karen Zagor in New York

NCNB, the rapidly-growing North Carolina-based banking group, yesterday said it was discussing a merger with C&S/Sovran, another big US regional bank.

Although both emphasised that the discussions were "preliminary and exploratory", the announcement triggered active trading in both issues. At midsession, C&S/Sovran soared $3¾ to $22¾ while NCNB was off $1¼ to $35⅞.

Analysts said a combination of the banks would have assets of $116bn, which would create the second biggest US bank after Citicorp, with assets of about $217bn. BankAmerica, currently the second biggest, has about $113bn in assets.

The Atlanta-based C&S/Sovran was formed in a 1990 merger between Citizens & Southern and Sovran Financial, shortly after Citizens & Southern rebuffed a $40-a-share takeover bid from NCNB valued at $2.3bn. Analysts then said the merger was a defensive move to prevent another bid from NCNB.

The merger, however, has been problematic. Earnings have been pummelled by bad property loans, many of them from the Sovran side, and non-performing assets soared 57 per cent in the March quarter.

Last week, C&S/Sovran disclosed that two of its units had entered into formal agreements with the US comptroller of the currency to bolster loan operations. The company's Virginia bank has a heavy exposure to the barren Washington DC real estate market.

C&S/Sovran's uncertain earnings outlook and questions about the quality of its assets have depressed its share price. Former Citizens & Southern shareholders have filed a suit in Atlanta challenging the wisdom of the merger.

In contrast, the strong profitability of NCNB's Texas operations have more than offset problems from bad loans. NCNB, the seventh biggest US bank holding company, owns large banks in North Carolina, Florida and South Carolina, Maryland and Virginia.

In 1988, NCNB stepped in to buy the troubled First RepublicBank of Texas from the federal government. It was later determined the Dallas bank was not as sick as many had feared and the transaction was described by NCNB as a "stunning deal".

NCNB Texas is looking for opportunities in the south-west to manage troubled assets for Resolution Trust, while NCNB is talking to regulators about acquiring the ailing Southeast Banking, which would give it a presence in Florida.

Mr Jim McDermott, an analyst at Keefe Bruyette in New York, said a NCNB-C&S/Sovran merger would be logical. It would extend NCNB's market in Virginia and beef up its Georgia operations. "If it happens, it could very well be a catalyst for other transactions," he said.

Embraer's directors resign en bloc over lack of state finance

By Victoria Griffith in Sao Paulo

THE DIRECTORS of Embraer, Brazil's state-owned aircraft manufacturer, have handed in their resignations after the government failed to deliver final authorisation for a $600m financial package to save the company.

Mr Joao Cunha, the group's president, said he had resigned for personal reasons and the other directors offered theirs on Tuesday night in an expression of solidarity.

But a spokesman for the group insisted the package would go ahead as planned while the Ministry of Economics said it was still "under study".

"The government would like Embraer to modernise and prepare for privatisation following the change in administration," said a ministry spokesman.

"We don't want to have to give some money now, then more later and even more later," he added. "We want to see signs of improvement before committing ourselves to anything."

Embraer's president, announced two weeks ago that the government had promised new funds for the ailing group. He had intended to announce

TWO investment groups, one headed by KLM of the Netherlands and the US airline Northwest and the other by Spain's Iberia, qualified to bid for 60 per cent of shares in Viasa, Venezuela's government-owned international airline, writes Joe Mann in Caracas.

Three groups of international airlines presented qualification documents to the government as a prelude to bidding on Viasa, which is now scheduled for August 2. But a consortium made up of the Brazilian airline, Vasp, and Venezuelan partners, was dropped from the privatisation competition.

details of the new operation at the Paris air show.

Mr Cunha is the second president to resign from the group in less than eight months. The group's former president, Mr Ozilio Silva, stepped down last December over the government's refusal to release funds from a $150m debt conversion scheme authorised under President Sarney.

With the exit of all its directors, the future of Embraer looks bleak. Without the help of the government, the group has little hope of reducing its $600m debt in the near term.

As president of Embraer, Mr Cunha succeeded in obtaining $250m the government owed the company in accounts payable but the new funds were not enough to solve the group's financial problems.

Mr Cunha had also been counting on sales of the the group's new commercial aircraft, the EMB-145, to help pull it out of its crisis.

But the aircraft was not a success et the Paris air show, and Mr Cunha returned from Europe without any new orders. Embraer has been left with few customers. The Brazilian government, anxious to sort out its own foreign debt problems, is no longer in the market for military aircraft.

Foreign military sales have been especially slow since Brazil was forced to suspend sales to one of its biggest customers - Iraq. Last year, the group suffered e $265m net loss on sales 30 per cent below forecasts.

No replacement for Mr Cunha or the other directors has, as yet, been announced.

Delta Air plans global thrust

By Paul Betts, Aerospace Correspondent

DELTA AIR Lines, the third largest US carrier, is pursuing an aggressive international expansion programme despite the general slump in the airline business caused by the recession and the Gulf crisis.

The airline, facing increasingly fierce competition on international routes from American Airlines and United Airlines, the two largest US carriers, is planning to launch next year e new Asia-Pacific hub at Taipei, expand services to Mexico, and start services from the US to Madrid and Barcelona if it receives approval from the US authorities.

Mr Harold Achtziger, Delta's vice-president for international operations, also said in London yesterday that the airline was looking at several other new European destinations. "We plan to grow both in the European and Asian markets."

Delta is starting non-stop services between Atlanta, its main US hub, and Manchester today in an expansion of its transatlantic services to the UK.

Although its two principal US rivals are focusing their efforts on new US services to London's Heathrow airport following United's $290m acquisition of Pan Am's Heathrow routes and American's $445m purchase of some of TWA's London routes, Delta has said Delta intended to continue concentrating its London flights at Gatwick.

However, he said the airline was considering Stansted, London's newest airport complex.

Mr Achtziger said Delta intended to dedicate a total of about 78 aircraft for international operations over the next three to four years to support its expansion plans.

The carrier has 28 aircraft dedicated to international services. Delta is essentially relying on Boeing 767 extended range, twin-engined airliners and McDonnell Douglas MD-11 trijets for its international growth.

Overall, the airline, with e fleet of 469 aircraft, has firm orders and options for 500 new aircraft for delivery during the 1990s.

Delta started international services 13 years ago and these are expected to make more than $1bn in revenues for the first time this year.

Although the traditionally conservative company has slowly built up its international services, it is now coming under pressure to expand more quickly to counter the aggressive international expansion strategies of American and United.

Delta is discussing with Pan Am the possible acquisition of Pan Am assets. However, Mr Achtziger said no decisions had yet been taken. "We are analysing and studying the benefits of Pan Am", he said.

Mr Jay Pritzker, chairman of the Hyatt Hotel chain, also emerged this week as e contender for Pan Am.

Mr Achtziger said the airline was continuing to develop new co-operation programmes with Singapore Airlines and Swissair as part of the three carriers' 5 per cent cross-shareholding partnership.

But he added the tripartite association did not prevent Delta from forging other marketing arrangements and cooperations with other carriers.

S African insurer in R220m cash call

By Philip Gawith in Johannesburg

METROPOLITAN Life, one of South Africa's main life insurance offices, has announced a restructuring of its shareholding and a rights issue which should raise about R220m ($96.5m).

Metropolitan is controlled by Sanlam, the large Afrikaans life insurer, via its subsidiary Sankorp.

Sanlam and Sankorp presently hold 83 per cent of Metropolitan's issued shares, the balance being held by other institutions and the investing public. In order to broaden Metropolitan's shareholder base, Sanlam and Sankorp plan to reduce their stake to 49 per cent.

Negotiations are under way to disperse 10m shares to other institutions, investors and policyholders.

The company hopes this will increase marketability of their shares, something institutional investors have complained about in the past.

The directors have also announced a rights issue, saying that additional capital will allow Metropolitan to capitalise upon the growth opportunities which exist in its traditional markets.

Most of Metropolitan's business is done with the black community.

Under the terms of the issue, 50 shares will be offered for every 100 held. With 44.5m shares in issue, and assuming a price of R10 (the share is currently trading at about R10.25), the company should raise about R220m.

Ambac float postponed by Citicorp

CITICORP, the US commercial bank which is trying to bolster its capital base, confirmed that it had postponed plans to float a majority holding in Ambac, its municipal bond insurance unit, writes Nikki Tait.

Citicorp last month announced plans to sell just over 50 per cent of Ambac, through an initial public offering. The transaction would have brought in around $500m.

At the time, however, the bank stressed that the most important aspect of the share sale would be the potential effect on its "tier one" capital ratios.

The bank estimated that around $25bn of assets – essentially insurance in force, adjusted by various other considerations – would have been removed from this calculation as a result of the flotation. That would have had roughly the same effect on the tier one capital ratio as a $1bn capital infusion.

Citicorp said that it had decided to postpone the flotation because of market conditions generally, and because of Well Fargo's announcement on Tuesday about second-quarter loan loss provisions.

Asked whether the postponement was likely to last for a matter of weeks rather than months, Citicorp said such a time-frame was "probably fair". However, it stressed that any rescheduling would remain a "function of market conditions".

SAS denies talks on LAN-Chile

SCANDINAVIAN Airline Systems yesterday denied it had entered into negotiations with Iberia, the Spanish flag carrier, to sell its 37 per cent stake in LAN-Chile, writes Leslie Crawford in Santiago.

Mr John Herbert, director of corporate communications at SAS, said the Scandinavian airline had no plans to sell its LAN-Chile shares. He said Iberia had approached LAN-Chile in Madrid last week for information on the Chilean airline, but LAN-Chile could not disclose the requested information before consulting the LAN-Chile board.

Mr Herbert stressed that SAS saw its $35m stake in LAN-Chile, acquired in early 1990, as a long-term investment. Both airlines are teaming up to rationalise services in other Latin American capitals. LAN-Chile, for example, will handle SAS sales and customer services in Santiago, while SAS will do the same for LAN-Chile in Buenos Aires and Sao Paulo.

Although LAN-Chile lost $8.4m last year because of higher fuel costs and a price war with its domestic rival, Ladeco, Mr Herbert said an emergency cost-cutting programme designed by SAS had stemmed the Chilean airline's losses.

LAN-Chile, which operates 11 aircraft, made a $1.2m profit in the first quarter of 1991.

[illegible]

INTERNATIONAL CAPITAL MARKETS

Limited foreign response to £1.5bn gilt auction

By Simon London in London and Karen Zagor in New York

THE UK government bond market reacted without enthusiasm to the results of yesterday's auction of £1.5bn 10-year government stock, indicating respectable demand for the new paper but a lacklustre response from overseas investors.

With few other factors to affect sentiment, long-dated gilts closed slightly lower on the day. The benchmark 11¾ per cent gilt maturing 2003/2007 closed down ⅛ at 107⅝, where the yield is 10.62 per cent. Outstanding 10 per cent gilts maturing 2001 were unchanged at 96⅞.

On the London International Financial Futures Exchange, the September gilt futures contract traded down to a low of 89.02 during the day, but recovered in late trading to end at 89.12, close to the opening level.

The Bank of England said it received bids for £3.29bn of stock at yesterday's auction, against the £1.5bn of 10 per cent gilts maturing 2001 available. On this basis, bids covered available stock by 2.19 times.

At the last auction, the cover ratio was 4.48 times. Analysts were disappointed the figure was not higher this time.

In addition, the yield difference between the highest bid accepted – 10.60 per cent – and the average bid – 10.62 per cent – was two basis points, against one basis point last time. This was interpreted as a sign of fewer high-priced bids.

"The results of the auction were in line with most expectations but generally uninspiring," said one analyst.

Firms reported minimal overseas buying of paper. There had been expectations of increased continental European participation since the 10-year area of the yield curve is the most actively traded maturity for most other European government bond markets. There is now £3.9bn of the 10 per cent 2001 gilt outstanding.

Dealers questioned how much of the paper bought by market-makers yesterday was placed firmly with investors. Moreover, the gilt chosen for the auction is not tax-exempt for overseas buyers. This may encourage investors to hold the stock for trading purposes rather than for long-term coupon income.

GOVERNMENT BONDS

■ GERMAN government bond prices ended lower as worse-than-expected regional inflation data was seen to increase the likelihood of a tightening of monetary conditions.

The benchmark 8⅜ per cent 10-year bund opened at 100.14, but fell to 99.95 by late afternoon, where the yield is 8.37 per cent. The September bund futures contract on the London International Financial Futures Exchange traded down from an opening level of 85.56 to stand at 85.45 near the close. Volume was a strong 36,500 contracts.

The German states releasing provisional inflation data for June reported an average rise in the cost of living of 0.5 per cent during the month. This led analysts to raise inflation rate forecasts for the whole of western Germany to a year-on-year rate of around 3.2 per cent for June. Many are now expecting inflation of above 4 per cent by the year-end.

Analysts said higher inflation rates could force the Bundesbank to tighten monetary conditions at either today's Council meeting or on July 11, the final meeting before the summer recess.

■ US TREASURIES firmed yesterday morning in quiet trading as the market waited for the results of the afternoon's $9.25bn five-year note auction.

At mid-session, the Treasury's bellwether 30-year bond added ¼ to 96, yielding 8.49 per cent, while shorter-dated maturities were about ⅛ higher.

There was scant attention given to the downward revision of first-quarter US gross national product, which declined by an annual rate of 2.8 per cent, compared with a previously-reported drop of 2.6 per cent. This was the second revision of the GNP. Rather, the bond market's strength was attributed to light short-covering.

The Federal Reserve entered the open market to arrange overnight system repurchase agreements when Fed Funds, the rate at which banks lend to each other, were trading at 6 per cent. There was no policy meaning attached to the Fed's manoeuvre, which will add liquidity to the banking system.

The tightness of the Fed Funds rate, which is above the perceived target of 5¾ per cent, was not surprising. The rate is usually volatile at the end of the two-week reserve period, when banks often rush to meet their reserve requirements at the Fed.

■ JAPANESE government bond prices closed slightly higher yesterday. However, with no new factors to give direction to the market and little buying by retail investors, benchmark bond yields remain in a tight range.

The benchmark government bond issue No 129 closed the Tokyo day on a yield of 6.83 per cent, against a close of 6.85 per cent on Tuesday. In London, yields fell back to around 6.82 per cent.

The yen continued to hold ground against the dollar on the foreign exchange markets. The US currency traded at around Y138.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	105.2510	+1.128	11.13	11.32	10.89
BELGIUM		10.000	06/00	103.6500	+0.100	9.38	9.28	9.16
CANADA *		9.750	06/01	98.0250	+0.280	10.07	9.99	9.61
DENMARK		9.000	11/00	96.1750	-	9.28	9.23	9.09
FRANCE	BTAN	9.000	02/96	98.7215	+0.217	9.32	9.29	9.08
	OAT	9.000	01/01	101.8500	+0.550	9.18	9.21	8.97
GERMANY		8.375	05/01	100.0200	-0.100	8.37	8.31	8.33
ITALY		12.300	03/01	97.7300	-0.080	13.33	13.28	12.84
JAPAN	No 119	4.800	06/99	87.4950	+0.091	7.28	7.35	7.09
	No 129	6.400	03/00	97.5738	+0.134	6.82	6.89	6.89
NETHERLANDS		8.500	03/01	98.7100	-0.040	8.69	8.62	8.58
SPAIN		11.900	07/98	99.6500	-0.100	11.99	11.99	11.89
UK GILTS		10.000	11/96	97-28	-02/32	10.52	10.42	10.30
		10.000	02/01	96-12	+00/32	10.60	10.55	10.38
		9.000	10/08	89-22	-04/32	10.28	10.21	10.09
US TREASURY *		8.000	05/01	97-28	+03/32	8.32	8.34	8.09
		8.125	05/21	96-00	+08/32	8.49	8.53	8.30

London closing, *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

New-look Soditic cuts dash in Swiss equities

S.G. Warburg's Swiss operation, once the bane of Geneva bond dealers, is emerging as one of the dominant players in the share market, writes William Dullforce

LONDON investment bank S.G. Warburg Group is well on the way to transforming the former gadfly of the Swiss franc bond market into a leading player in Swiss equities.

Warburg Soditic, wholly owned by the Warburg Group since last September, estimates that, after starting from scratch two years ago, it now has between 5 per cent and 7 per cent of the business in Swiss equities.

The development of Warburg Soditic forms part of Warburg's plan to expand in Europe, principally in France and Germany, and to build up a global research-driven trading business in equities and equity derivatives.

However, there is a special flavour to the Geneva operation, part of which springs from the company's origins.

For over a decade, from the mid-1970s, Soditic, founded by Mr Maurice Dwek and a few associates, tormented the Swiss banking establishment with brash and successful efforts to seize a share of the Swiss franc bond market from the underwriting cartel run by the big Swiss banks.

Forming ad hoc underwriting syndicates, Soditic was innovative in floating-rate notes, equity-linked bonds, and the first Swiss currency swap.

However, it was criticised for introducing higher-risk, higher-yield "junk" bonds, and for allegedly downgrading the Swiss market.

After buying a third of Soditic from two founding shareholders, Warburg raised its stake to 50 per cent in 1987. Last year, the London bank bought out Mr Dwek and his associates. It also transferred its 50 per cent interest in Bank SG Warburg Soditic, Zurich, to Mercury Asset Management, its 75 per cent-owned fund managing arm.

Mr Dwek remains chairman of both the Zurich bank and Warburg Soditic, Geneva, where staff has grown to almost 100 from 40 at the end of 1988. "Out of what was a small primary bond market company we are building an investment banking business," Mr Dwek says.

Warburg Soditic, adjusting to Warburg Group's fiscal year, is about to report net earnings of SFr9.86m ($6.3m) for the 15 months ended March 1991. Although this represents an effective decline in profits from the 12-month net of SFr9.15m in 1989, Mr Dwek claims: "We were one of few Swiss financial institutions to turn in a real profit last year."

This profit resilience was due largely to commissions from the repurchasing of Swiss franc bond issues on behalf of borrowers, an activity which showed nimbleness in seizing opportunities and again incurred the wrath of the Swiss banking establishment.

For the time being, though, Warburg Soditic's biggest push is into the Swiss equities business. It has taken a seat on the Geneva Stock Exchange, co-ordinated operations in Geneva with trading on SEAQ International in London, and has three analysts in Geneva covering between 40 and 50 Swiss companies.

Some 14 per cent of all trading in Swiss equities is done on SEAQ, brokers estimate, and Warburg Soditic claims to have a large part, which ultimately is controlled from Geneva. It thinks it is responsible on average for between 10 and 15 per cent of trading in Geneva, where the volume is much smaller than in Zurich.

The company is now seeking a seat on Soffex, the Swiss options and financial futures exchange. And it has other irons in the fire. On the corporate finance side, it has just won its first mandates for cross-border mergers and acquisitions. It has been doing good business in Japanese warrants and, this year, has issued three warrants in Swiss equities privately placed with foreign institutions, according to Mr Dwek.

With Warburg Group backing it is also better placed to underwrite swaps. This year it has led four privately-placed issues for triple A and double A borrowers.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on June 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	101⅝		7.86
ALBERTA PROVINCE 9 3/8 93	600	103	103¼		8.49
AUSTRIA 8 1/2 00	400	97¾	98¼	+¼	8.87
BANK OF TOKYO 8 3/8 96	100	98¾	99¼	+⅛	8.72
BELGIUM 9 1/8 92	400	101½	102	-⅛	7.74
BFCE 7 3/4 97	150	97¾	98¼	+⅛	8.25
BNP 8 5/8 94	300	101¼	101⅝		8.14
BP CAPITAL 9 5/8 93	150	102¾	103⅛	+⅛	7.71
CANADA 9 96	1000	102⅝	102⅞		8.31
CARCO 9 1/4 96	650	100	101	+⅛	9.24
CCCE 9 1/4 93	300	103	103¼	+⅛	8.25
COUNCIL EUROPE 8 96	100	98¼	98¾	+⅛	8.43
CREDIT FONCIER 9 1/2 99	300	103	103¾		8.93
DENMARK 0 98	250	54	54½	-⅛	9.05
DENMARK 8 1/4 94	150	100¾	101	+⅛	8.00
ECSC 8 1/4 96	193	99¾	100¼	+⅛	8.26
EEC 7 1/4 93	250	99¾	100		7.46
EIB 7 3/4 96	250	97¾	98¼		8.31
EIB 9 1/4 97	1000	102¼	102½		8.78
ELEC DE FRANCE 9 98	200	101½	101⅞	+⅛	8.68
EUROFIMA 9 1/4 96	100	101¾	102¼		8.76
EXPORT DEV CORP 9 1/2 98	150	103¼	103⅝	+⅛	8.81
FINLAND 7 7/8 97	200	96	96½	+⅛	8.79
FINNISH EXPORT 9 3/8 95	200	103¼	103½	+⅛	8.46
FORD MOTOR CREDIT 9 1/2 93	300	102⅛	102⅜		8.36
GEN ELEC CAPITAL 9 5/8 96	300	103	103½	+⅛	8.60
GMAC 9 1/8 96	200	100¼	100⅝	+⅛	9.07
HALIFAX 9 1/2 93	200	101⅞	102¼	-⅛	8.43
IBM WORLD TRADE 7 5/8 93	150	100	100½	+⅛	7.59
IND BK JAPAN FIN 7 7/8 97	200	95¾	96¼	+⅛	8.00
INTER AMER DEV 7 5/8 96	200	96¼	96¾	+⅛	8.50
ITALY 8 1/2 94	1500	101¼	101½		8.06
JAPAN DEV BK 8 94	150	100¼	100⅝	-⅛	7.94
KANSAI ELEC PWR 10 96	350	104¼	104⅝	+⅛	8.88
LTCB 8 5/8 93	150	101¼	101⅝		7.85
NEW ZEALAND 8 93	100	100¼	100⅝	-⅛	7.93
NIPPON CRED BK 9 3/4 93	150	103¼	103⅝		8.10
NIPPON TEL & TEL 9 3/8 93	200	103¼	103⅝		8.35
NORDIC INV BANK 9 93	200	102⅛	102⅝		7.61
ONTARIO HYDRO 11 5/8 94	200	107¼	108½	-⅛	8.38
OSTER KONTROLLBANK 8 1/8 93	200	100⅞	101¼		7.53
PETRO-CANADA 7 1/4 96	200	94¼	95¼	+⅛	8.60
PRUDENTIAL RLTY SECS 0 99	365.216	50	50½	-⅛	9.61
QUEBEC HYDRO 9 3/4 93	150	102¾	103¼	-⅛	9.25
QUEBEC PROV 9 98	200	99	99½	-⅛	9.19
SAINSBURY 9 1/8 96	150	101¼	102		8.80
SAS 10 99	200	99½	100½	+⅛	10.10
SBAB 9 1/2 93	900	103⅛	103½		8.45
STATE BK STH AUST 9 1/4 93	108	101⅝	102¼	-⅛	8.08
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 99 LFr	600	94¼	95¼		9.23
KREDIETCORP 7 93 LFr	1000	96	97		9.15
WORLD BANK 8 96 LFr	1000	97½	98½	+¼	8.64
ALBERTA PROVINCE 10 92 C$	500	100¾	100¾		9.71
BCE INC 9 5/8 93 C$	300	98¾	99¼		10.37
BELL CANADA 10 5/8 99 C$	150	97½	98		11.11
BRITISH COLUMBIA 9 1/4 93 C$	150	98¾	99		10.26
[illegible]					

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Redemption Notice

European Investment Bank

13% Bonds Due 1996

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of August 31, 1984 under which the above described Bonds were issued, that European Investment Bank has called for redemption on August 31, 1991 $25,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to August 31, 1991. The serial numbers of the Bonds selected for redemption are as follows:

COUPON BONDS
(All in $1,000 denomination)

(Continued on next page)

65019	66718	68396	70049	71758	73296	74921	76703	78535	80170	81901	83844	85312	87022	88638	90430	92045	93611	95329	97035	98787	100472	102181	103785	105471	107225	108842	110422	112025	113731	115312	116893	118681	120246	121878	123478	125236	126944	128672	130375	132023
65024	66730	68400	70048	71763	73301	74941	76707	78539	80174	81906	83848	85318	87026	88639	90443	92052	93614	95345	97039	98805	100487	102188	103789	105483	107229	108858	110425	112037	113741	115317	116907	118656	120251	121881	123482	125240	126951	128676	130379	132027
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(Continued on next page)

[illegible]

The following Bonds each bearing the following serial numbers previously called for redemption have not as yet been presented for payment:

9	70	308	320	350	451	521	1205	1214	1455	1464	1547	3482	3628	3997	5389	5633	6274	6283	6628	8514	11041	11059	24273	78662	78671	78680	78906	79101	79244	79736	79776	[illegible]	[illegible]	[illegible]
21	286	314	326	408	454	964	1208	1229	1458	1498	1602	3601	3991	5380	5392	5636	6277	6622	8593	8615	11044	11062	24276	78665	78674	78681	78912	79211	79289	79739	79779	[illegible]	[illegible]	[illegible]
54	289	317	335	448	457	1162	1211	1434	1461	1504	1614	3604	3994	5386	5395	6271	6280	6625	8599	11032	11063	20980	78659	78668	78677	78686	79092	79241	79731	79772	79791	[illegible]	[illegible]	

On August 31, 1991 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to August 31, 1991. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender therein for the payment of public and private debts thereon, upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after August 31, 1991, at the holder's option and subject to applicable laws and regulations at the main offices of Caisse d'Espargne de l'Etat and Citicorp Bank (Luxembourg) S.A. in Luxembourg, Citibank, N.A. in London and Deutsche Bank AG in Frankfurt am Main.

On and after the date fixed for redemption interest on said Bonds will cease to accrue. Coupons due August 31, 1991 should be detached from the Bonds and presented for payment in the usual manner.

For EUROPEAN INVESTMENT BANK
CITIBANK, N.A.
as Fiscal Agent.

June 27, 1991

INTERNATIONAL CAPITAL MARKETS

EIB $500m deal forced to rely on Japanese investors

By Tracy Corrigan

THE EUROPEAN Investment Bank's $500m seven-year deal, priced yesterday, had to rely on interest from Japanese investors as European demand for dollar bonds remained subdued.

According to lead manager Goldman Sachs, around 80 per cent of the deal had been placed by the end of European trading, with about three-quarters of that placement in Japan.

Members of the selling group reported some success in selling bonds in the Far East. "We sold some bonds, but demand was not overwhelming," one dealer said.

For Goldman Sachs and Salomon Brothers, which underwrote the bulk of a deal, the transaction was conceived as a block trade, rather than a conventional underwriting exercise.

Because these two houses took the bulk of the risk, they met little criticism from other banks, even though the deal was considered aggressively priced at 38 basis points above the seven-year Treasury. The pricing offered little pick-up on the secondary market to inspire investors in a trendless market.

Further supply, however, is likely to be limited, as unattractive swap spreads will make it difficult for other sovereign and supranational borrowers to tap the market.

INTERNATIONAL BONDS

The EIB's benchmark Sfr400m 6½ per cent seven-year, launched last week at 101¼, started trading in the secondary market at 99.55 bid.

● Volume on the FT-SE Eurotrack 100 index future contract reached just under 250 contracts on its first day of trading on the London International Financial Futures Exchange (Liffe). The index consists of 100 continental European shares.

Dealers described the level as satisfactory, but not inspiring, adding that the bulk of activity came from traders rather than fund managers, many of whom are still getting to grips with the technicalities of the contract.

Meanwhile, the successful FT-SE 100 index future traded around 13,500 contracts today.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
EIB(a)†	500	8¼	100	1998	(a)	Goldman Sachs
Tongyang Nylon Co.(b)§	30	3¾	100	2005	2½/1½	Yamaichi Int.
FRENCH FRANCS						
Credit National(c)†	700	9⅝	101.40	1998	1⅞	Credit Lyonnais
SWISS FRANCS						
North East Fin.of Japan(a)††	220	6½	101½	2001	2⅜	Sque.Paribas (Suisse)
Tenmaya Store Co.(d)★★#	50	2½	100	1995	-	Nomura Bk (Switz)
GUILDERS						
Bk Nederlandse Gemeente(e)†	1bn	zero	38.10	2003	-	ABN Amro

★★Private placement. §Convertible. #With equity warrants. †Floating rate note. †Final terms. a) Non-callable. b) Callable at any time from 1/1/93 at 104% declining 1% per annum to par in 1997, subject to 140% share price rule. Put option 10/7/98 to yield 8%. c) Fungible with existing FFr1.5bn deal. Non-callable. d) Callable 18/7/93 at 102% declining ½% semi-annually. e) Fees - Selling concession = 10bp. Non-callable.

TSE moves on arbitrage disclosure regulations

By Emiko Terazono in Tokyo

THE Tokyo Stock Exchange (TSE) yesterday announced that brokers would have to disclose arbitrage-linked trading volumes from next Wednesday, and also announced a tightening of margin requirements for futures and options trading.

Arbitrage-related transactions have been blamed for increasing volatility in the stock markets, and the move represents a further clampdown on futures-related trading, an area in which leading foreign securities companies hold expertise.

The TSE will make public arbitrage-related positions, which have been confidential to market participants, of the securities firms every week.

Margin requirements for index futures and options trading will be raised to 25 per cent from 20 per cent. The members' margin deposit rate will also be raised to 20 per cent from 15 per cent.

Stock exchange officials have been complaining that the futures market has been distorting the cash market. Mr Minoru Nagaoka, president of the TSE, said: "It is undesirable that the tail should wag the dog instead of the dog wagging the tail."

TSE officials said the new disclosure rule would enable investors to know which securities brokers would have a potential impact on the cash stock market.

Scouting around for bond bargains

Sara Webb looks at mounting interest in the smaller debt markets

EVERY week, Japanese investors ring up asking us which bond market is the flavour of the week, and whether it is time to invest in Portugal or Greece," says Mr Steve Major, an international bond analyst at UBS Phillips & Drew.

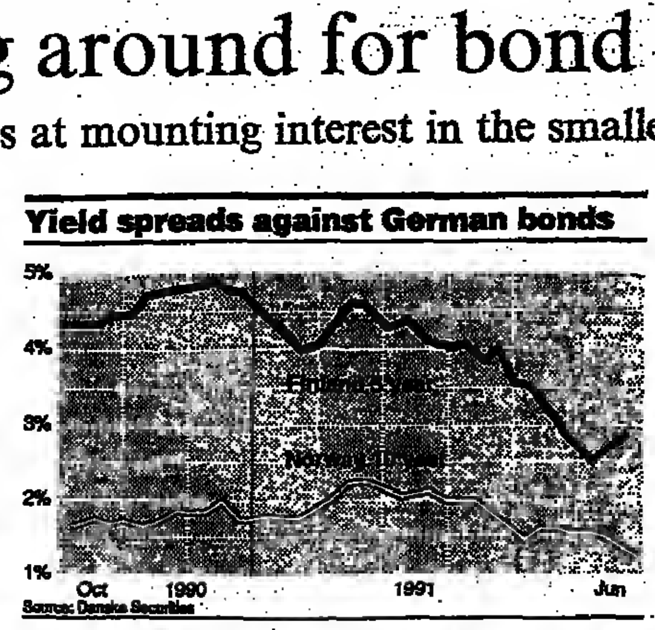
As international investors scout around for high-yielding bond markets with prospects for making capital gains, demand for research on some of the second tier and more obscure bond markets has increased.

Several securities houses have widened their research briefs so that they can provide investors with information about the Spanish, Italian, Scandinavian, Portuguese and Belgian bond markets: some are even looking at less developed markets such as Greece.

Many international investors are interested in buying high-yielding European bonds as the expected convergence of European interest rates will lead to a fall in yields and capital gains. The attraction of investing in a currency which is in the exchange rate mechanism of the EMS is that the exchange rate risk for a European investor is greatly reduced. However, some analysts believe that the pace of convergence may be slowing.

"Some of these second-tier markets have been profitable because of large anomalies due to the fact that yields are not in line with what they should be, and often there is a lag before the market takes economic data into account," says Mr Chris Anthony, UK government bond analyst at UBS Phillips & Drew.

Yield spreads against German bonds



Source: Danske Securities

Foreign investors were attracted to the Spanish and Italian bond markets by double-digit yields, which were 13.5 per cent and 14.6 per cent respectively at the beginning of the year for 10-year bonds. However, as interest rates in those economies have fallen in recent months, interest in these two top-performing bond markets is gradually fading, and investors are looking for new markets.

Portuguese bonds with yields of 15 to 16 per cent for four-year paper have attracted the attention of investors, though the fact that the escudo is not yet in the ERM means there is an exchange rate risk.

Mr Ceris Williams, international economist with Midland Montagu, points out that yields of 20 to 25 per cent on three-year Greek bonds, and of 60 to 65 per cent on Turkish three-month bills have caught the attention of investors, too. However, he said it is still too early to invest in these underdeveloped and illiquid markets. "With Greece, the priority is for investors to see a drive for lower inflation and more stable exchange rates. With Turkey, you only need to spend a few moments looking at the economic data and inflation figures to see the risk," he says.

Buyers of high-yielding European bonds include Japanese and European pension funds, global bond unit trusts, and investment trusts based in Europe and Japan.

Mr George Magnus, director of international bond research at S.G. Warburg, points out that North American and Japanese investors who were interested in the Ecu, Danish and Belgian bond markets, have switched to the Spanish, Italian and Scandinavian markets over the last year. However, he makes the point that seldom do these investors move substantial assets into these markets. "They have only diversified to a small extent and their weightings in these markets are very low."

However, that has not dampened a desire for more information about these burgeoning bond markets, some of which have deliberately increased their appeal to foreign investors. Spain and Italy, for example, extended their debt maturity profiles as foreigners tend to prefer long-dated paper, and both have eased procedures for foreign investors to reclaim withholding tax on government bonds.

Houses such as JP Morgan, UBS Phillips & Drew, S.G. Warburg, and Midland Montagu have all boosted their research into the smaller markets, mainly by spreading their analysts across them rather than by increasing staff.

Mr George Magnus of S.G. Warburg says: "In the last year or so the research brief has widened significantly. For the last six months we have been looking increasingly at Spain, Italy, Belgium, Sweden and Portugal. If you want to understand the implications of what is happening in Europe regarding convergence and inflation you need to look at a wide range of markets. Also it is a matter of time before we start to take on trading in these markets."

The problem – and for some investors a serious deterrent – remains poor liquidity for certain government bond markets. Mr Nicholas Henderson, head of fixed income at Gartmore, says: "The main concern with smaller markets such as Portugal is the difficulty of getting out, especially if everyone tries to get out at the same time."

Norway's banks incur NKr120m combined loss

By Karen Fossli in Oslo

NORWAY'S top 30 savings banks suffered a combined operating loss, after credit losses, of NKr120m ($17.1m) for the first four months of 1991.

The deficit represents 0.17 per cent of combined assets. The 112 savings banks outside the top tier made combined operating profits, after credit losses, of NKr310m, or 1.98 per cent of combined assets.

In aggregate, tha total 142 savings banks made an operating profit of NKr190m, or 0.22 per cent of combined assets.

The banks said combined credit losses reached NKr1.06bn, or 1.26 per cent of combined assets.

HK securities house reduces S&C holding

By Lim Siong Hoon in Kuala Lumpur

W.I. CARR, the Hong Kong-based securities house which is part of the French Suez group, is reducing from 30 per cent to 25 per cent its shareholding in Seagroatt & Campbell. The move is part of a capital restructuring and flotation plan for the Malaysian broker.

The broker proposes to offer 25 per cent of its capital – 7.5m shares – for pnblic subscription at M$2 a share. Mr Ahmad Kadis, the main shareholder in S&C, will cnt his stake from 70 per cent to 50 per cent under the scheme.

For the year ended March 1991, S&C's pre-tax profit fell 38 per cent to M$5.4m (US$1.9m) on turnover of M$13.7m compared with M$16.2m during the previous year.

The broker expects profits this year of M$8m.

● The New Straits Times Press, the newspaper and publication unit of the Malaysia's Renong group, has doubled its stake in Bank of Commerce to 22.5 per cent.

The deal, which was not priced, reflects the growing influence and strength of Renong, the investment holding company of the United Malays National Organisation, the dominant ruling political party in Malaysia

Wallenberg issue taken up

THE Convertible subordinated debentures issued by the Wallenberg investment companies Investor and Providentia have been fully subscribed, writes Robert Taylor in Stockholm.

The issue was made to help finance their acquisition of Saab-Scania, the Swedish auto group.

The two investment companies said the maximum par values of their debentures – SKr3.56bn for Investor and SKr3.02bn for Providentia – had been met.

DTB turns cool on Globex

DEUTSCHE Terminbörse, the German options and futures exchange, has turned cool on Globex, the US-based international after-hours screen trading system, writes Barbara Durr in Chicago.

Globex, being developed by Renters in conjunction with Chicago's two main futures exchanges, has been postponed so many times that Mr Jörg Franke, DTB's chief, said: "It's not clear what's going on."

At a symposium in Chicago, Mr Franke said a decision on DTB becoming a partner in Globex was not urgent. With the coming unification of markets in 1992, he put the electronic link-up of European exchanges as a higher priority for DTB than Globex.

DTB officials are touring the US in an effort to promote their exchange and its products to American investors.

The German exchange recently started to simulate trading in five new contracts, including an option on the 30-share DAX index. Real-time trading in this contract is due to start in August.

Taiwan licenses 15 banks

TAIWAN has granted licences for 15 new private sector commercial banks in a move aimed at weakening the government's near-monopoly on banking in the island, Reuter reports from Taipei.

Tha new banks, most of tham backed by business groups, are the first to be approved since 1975. They would raise the quality of banking services by intensifying competition, officials said.

A minimum of T$10bn ($370m) of paid-in capital is required for each bank, while 20 per cent of the shares must be offered to the public. There are currently 24 local commercial banks in Taiwan, plus 40 foreign banks.

"After being protected for decades, the banking industry faces a new age of competition. It will have to become less complacent and more aggressive in winning business," said Mr Edmund Hsueh, chief economist at Core Pacific, a financial group.

The government also plans to widen its supervision of the industry.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wednesday June 26 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Jun 25 Index No.	Mon Jun 24 Index No.	Fri Jun 21 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (186)	803.07	-1.3	11.29	6.06	10.89	17.53	813.86	814.54	822.38	899.41
2 Building Materials (24)	1021.82	-1.6	10.03	6.07	12.50	28.15	1038.43	1036.80	1050.17	1153.85
3 Contracting, Construction (31)	1162.65	-3.4	9.86	6.76	13.34	31.53	1204.18	1231.24	1243.93	1470.04
4 Electricals (10)	2312.39	-1.4	11.36	5.79	11.21	61.85	2344.89	2330.76	2346.30	2588.81
5 Electronics (25)	1706.49	-0.7	9.12	5.27	14.60	10.00	1719.30	1714.14	1733.10	1792.13
6 Engineering-Aerospace (8)	418.66	-1.3	16.67	5.98	7.21	10.83	424.17	422.82	424.06	473.52
7 Engineering-General (47)	436.32	....	12.68	5.87	9.55	9.64	436.58	436.46	439.38	500.58
8 Metals and Metal Forming (8)	434.85	-2.1	21.09	7.95	5.81	3.76	444.24	446.56	450.75	501.60
9 Motors (13)	317.00	-1.1	12.51	7.66	9.42	9.98	320.39	320.14	325.31	375.26
10 Other Industrial Materials (20)	1489.43	-1.1	9.42	5.39	12.49	33.45	1505.90	1504.65	1517.34	1628.95
21 CONSUMER GROUP (180)	1430.78	-1.2	8.27	3.81	14.87	22.39	1447.48	1444.32	1461.91	1318.64
22 Brewers and Distillers (22)	1753.76	-1.3	8.86	3.76	13.74	27.30	1776.99	1766.97	1798.96	1612.90
25 Food Manufacturing (20)	1143.41	-0.9	10.03	4.33	12.30	22.69	1153.38	1152.92	1162.88	1118.21
26 Food Retailing (16)	2577.89	-0.5	8.58	3.25	15.28	39.42	2590.01	2596.20	2614.21	2540.00
27 Health and Household (21)	3473.83	-1.3	5.51	2.47	20.71	30.21	3518.50	3487.35	3531.41	2547.05
29 Hotels and Leisure (23)	1238.71	-1.2	10.60	5.61	11.20	23.85	1250.53	1263.36	1279.36	1519.67
30 Media (26)	1372.67	-0.9	9.37	5.13	13.54	29.60	1385.21	1383.29	1397.89	0.00
31 Packaging, Paper & Printing (17)	668.37	-1.7	8.32	4.94	14.55	14.33	680.12	682.25	687.19	609.59
34 Stores (33)	869.79	-1.5	8.87	4.23	14.72	15.89	882.84	882.46	893.70	838.55
35 Textiles (10)	525.38	-1.9	10.10	5.94	12.19	11.43	535.77	548.68	553.79	505.11
40 OTHER GROUPS (107)	1188.20	-0.5	10.18	5.40	12.06	16.87	1194.72	1198.21	1212.17	1202.61
41 Business Services (12)	1239.67	-1.0	9.33	5.25	13.09	13.23	1251.87	1256.67	1272.62	0.00
42 Chemicals (21)	1364.67	-0.8	8.28	5.28	13.60	32.35	1375.08	1374.07	1389.07	1300.96
43 Conglomerates (10)	1382.79	-0.4	11.00	7.50	10.96	31.93	1388.54	1416.56	1447.06	1690.02
44 Transport (13)	2162.23	-0.5	8.52	4.87	14.61	38.36	2172.69	2180.86	2192.08	2326.69
45 Electricity (14)	1166.81	+0.1	12.80	5.72	9.92	0.00	1165.72	1168.63	1181.84	0.00
46 Telephone Networks(4)	1384.33	-1.2	10.73	4.40	12.19	5.58	1401.09	1406.40	1423.56	1233.56
47 Water(10)	2258.06	-0.4	18.28	6.91	6.04	39.69	2266.88	2237.67	2248.73	1953.52
48 Miscellaneous (23)	1919.67	+0.4	6.04	4.97	21.24	42.19	1912.66	1905.54	1923.37	1822.57
49 INDUSTRIAL GROUP (481)	1201.34	-1.0	9.47	4.75	12.97	19.68	1213.44	1213.48	1227.44	1190.71
51 Oil & Gas (19)	2345.54	-0.9	11.58	5.84	11.36	50.59	2366.20	2364.44	2375.63	2307.47
59 500 SHARE INDEX (500)	1298.32	-1.0	9.75	4.89	12.74	22.18	1311.18	1311.09	1325.03	1284.78
61 FINANCIAL GROUP (97)	770.99	-0.9	-	6.18	-	20.54	777.97	778.42	786.25	811.34
62 Banks (9)	861.87	-0.4	8.00	6.42	18.13	22.63	865.69	863.38	871.08	850.84
65 Insurance (Life) (7)	1440.33	-1.1	-	5.75	-	41.64	1456.44	1464.88	1485.96	1497.22
66 Insurance (Composite) (6)	659.80	-2.0	-	6.64	-	20.23	673.48	675.10	682.97	715.29
67 Insurance (Brokers) (8)	1107.55	-0.2	7.06	6.12	18.44	29.60	1109.43	1107.91	1114.22	1020.11
68 Merchant Banks (7)	414.13	-0.1	-	5.06	-	18.87	414.69	416.90	417.72	438.76
69 Property (40)	896.44	-1.3	6.95	5.38	19.86	18.80	907.82	907.82	917.91	1094.12
70 Other Financial (20)	261.43	-0.2	9.97	7.16	12.46	7.07	261.90	263.81	266.20	298.37
71 Investment Trusts (70)	1169.62	-1.5	-	3.61	-	18.66	1187.46	1196.61	1213.64	1220.16
99 ALL-SHARE INDEX (667)	1170.72	-1.0	-	5.03	-	21.47	1182.36	1182.63	1195.23	1170.55

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 25	Jun 24	Jun 21	Jun 20	Jun 19	Year ago
FT-SE 100 SHARE INDEX♦	2437.3	-23.9	2459.3	2431.7	2461.2	2458.3	2487.5	2479.9	2484.7	2373.5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	62	21
Corporations, Dominion and Foreign Bonds	0	4	16
Industrials	121	512	888
Financial and Properties	38	273	433
Oils	11	31	47
Plantations	1	0	9
Mines	46	33	82
Others	39	67	58
Totals	256	982	1,554

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
‡	F.P.	-	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	-	110¼	98¾	Burmah Cap (Jersey) 9½pc Cnv Bds 2006	100¾	
100	F.P.	-	100	97	EE Finance 8¾pc Gtd. Exch. Bds. 2006	97	
100p	Nil	-	4½pm	2½pm	Queens Moat Houses 7½pc Cv Rd Pf	3½pm	-½
100	F.P.	-	103¼	96¾	RMC Capital 8¼pc Cnv. Bds. 2006	96¾	-3¾
100	F.P.	-	103½	96¾	Tarmac 9½pc Cnv. Cap. Bds. 2006	97	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
31	Nil	-	5pm	2½pm	Anglo United 20p	2½pm	-1
315	Nil	-	70pm	57pm	Bespak 10p	57pm	-12
62	Nil	-	19pm	13pm	Stocks Leisure 50p	13pm	-1
44	Nil	-	5pm	4pm	Fairway (London) 5p	5pm	
100	Nil	-	15pm	14pm	‡Flextech 10p	14pm	
52	Nil	-	8pm	3pm	Gardiner Group 5p	5pm	-2
380	Nil	-	51pm	40pm	Heath (C.E.) 20p	40pm	-1
100	Nil	-	30pm	25pm	Jarvis Porter 10p	25pm	
20	Nil	-	2½pm	1¼pm	Lon. & Assoc. Inv Tst 10p	1½pm	
72	Nil	-	5pm	2pm	McCarthy & Stone 20p	2pm	
53	Nil	-	12½pm	8pm	Merchant Retail 10p	8pm	-1
11	Nil	-	1pm	½pm	‡Mowat 10p	½pm	
300	Nil	-	91pm	76pm	Smith (W.H.) A 50p	76pm	-6
150	Nil	-	[illegible]	[illegible]	Stanley Inds.	[illegible]	-3

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
British Steel (*127)	120	8½	9	11½	4	5½	8½
	130	2½	4½	6½	12	13	14
	140	1	2	4	22	22	23
Bass (*909)	880	47	82	-	8	21	-
	900	-	-	84	-	-	40
	929	18	52	-	32	43	-
C & Wire (*519)	460	66	82	-	1½	5½	-
	500	32	50	65	6	14	19
	550	5	24	37	35	40	45
Courtaulds (*406)	360	51	63	70	1½	4½	7
	390	24	40	49	5	12	17
	420	7½	23	32	19	29	30
Com. Union (*491)	460	37	46	59	2½	12	15½
	500	10	23	36	18	31	35
	550	1½	8	16	60	60	70
Fisons (*488)	460	36	34	60	4	11	15
	500	11	38	42	19	27	32
	550	1½	12	21	60	64	60
GKN (*343)	300	46	49	-	1	5½	-
	330	21	28	40	5	13	18
	360	6	13	23	24	32	35
Grand Met. (*729)	300	42	61	-	6	22	-
	750	13	36	53	28	47	53
	800	3½	17	35	73	83	87
I.C.I. (*1244)	1200	70	97	132	13	41	30
	1250	37	72	105	34	60	69
	1300	17	49	82	65	92	95
Kingfisher (*472)	420	98	60	-	1½	7½	-
	460	24	40	5½	8	21	26
	500	6	22	35	36	42	47
Ladbroke (*250)	220	35	40	-	1½	5	-
	240	16	26	-	3½	11	-
	260	5	15	20	14	21	24
Land Secur (*485)	460	32	48	53	2	6½	12
	500	6	22	31	18	24	30
M & S (*242)	240	8½	19	24	5	8½	12
	260	1½	8	14	19	21	23
Sainsbury (*344)	330	20	32	39	3½	7½	11
	360	4	14	22	19	22	25
Shell Trans. (*511)	500	29	36	45	5	17	22
	550	2	11	22	42	48	50
Storehouse (*102)	100	5	9	12	5	7½	9
	110	1½	5	7	13	14	16

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Eastern Elec (*172)	160	17	19	-	8	10	-
	180	4	8	13	23	22	25
Guinness (*968)	950	52	78	103	17	53	30
	1000	23	50	77	43	53	59
GEC (*188)	180	10½	14	17	4	8	9½
	200	2	5	8½	22	23	24
Hanson (*201)	200	10	16½	19	6½	8½	12
	220	2½	7	8½	20½	21	25
LASMO (*340)	330	28	53	43	11	16	18
	360	9	19	28	29	35	34
Lucas Inds (*142)	130	18	-	-	3	-	-
	140	11	13	17	5½	10½	13
P. & O. (*554)	550	33	40	55	19	30	35
	600	11	20	32	52	62	67
Pilkington (*155)	140	22	-	-	3½	-	-
	160	10	17	20	12	15	17
Prudential (*227)	220	17½	22	28	5½	10½	12½
	240	7½	12	18	16	21	23
Racal (*206)	200	17	23	30	6½	10	15
	220	7	13½	21	17	21	23
R.T.Z. (*555)	550	30	42	60	16	26	29
	600	8	21	35	50	54	57
Scot. & New (*373)	360	20	32	39	12	17	22
	390	8	17	23	32	34	38
Tesco (*264)	260	-	23	38	-	9	18
	280	6	13	19	18	28	21
Thames Water (*291)	280	12	19	24	12	14	18
	300	4	11	14	30	32	34
STC (*320)	280	-	-	-	¼	-	-
	300	-	-	-	¼	-	-
Abbey Nat. (*263)	260	5	13	24	1	10	12½
	280	1	7	13½	19	23	25
Amstrad (*54)	50	5	11	-	½	4½	-
	60	1	4½	8	7	9	11
Barclays (*437)	420	20	53	45	1	15	24
	460	1	13	25	25	37	42
Blue Circle (*237)	220	19	28	33	1	7	10
	240	½	14	22	5	14	19

Option		Calls			Puts		
R. Royce (*153)	140	14	20	23	½	4	6
	160	½	7	11	8	15	13
Sears (*75)	70	5	9	10	1	2	3½
	80	½	3½	5	7	7	8½
THF (*257)	240	19	27	32	½	5	8
	260	½	14	28	4	10½	16
Thorn EMI (*728)	700	35	39	58	1	23	30
	750	1	17	31	22	55	57
TSB (*145)	140	6	9½	14½	1	4	6
	160	¼	3½	6	16	19	20
Vaal Reefs (*$68)	60	9	11	14½	1	4	6
	70	1	7½	10	4	9½	11
Wellcome (*654)	650	7	50	65	2	30	39
	700	-	27	43	-	59	67
Scottish Power (*104)	100	11	15	-	4½	6	-
	110	6	10	-	9	11	-

EURO FT-SE INDEX (*2436)

	2325	2325	2425	2475	2525	2575	2625	2675
CALLS								
Jun	100	61	16	2	1	½	½	½
Jul	127	86	52	25	11	6	2	1½
Aug	151	-	78	-	31	-	9	-
Sep	164	-	98	-	49	-	21	-
Dec	223	-	155	-	103	-	65	-
Mar	270	-	205	-	160	-	105	-
PUTS								
Jun	½	1	11	45	96	144	194	244
Jul	11	20	35	60	92	137	183	232
Aug	22	-	47	-	97	-	175	-
Sep	30	-	60	-	106	-	175	-
Dec	48	-	73	-	117	-	172	-
Mar	73	-	90	-	130	-	180	-

FT-SE INDEX (*2436)

	2300	2350	2400	2450	2500	2550	2600	2650
CALLS								
Jun	136	86	37	5	½	½	½	½
Jul	155	108	70	39	19	8	3	2
Aug	175	133	95	65	40	23	12	7
Sep	192	142	116	85	59	39	25	15
Dec †	240	-	179	-	116	-	68	-
PUTS								
Jun	½	1	5	25	72	122	172	222
Jul	10	16	27	48	00	123	173	223
Aug	17	27	40	61	89	128	173	221
Sep	25	37	53	73	99	133	174	221
Dec †	42	-	77	-	122	-	188	-

June 26 Total Contracts 43,819 (21,423)

FIXED INTEREST

PRICE INDICES		Wed Jun 26	Day's change %	Tue Jun 25	Accrued interest	xd adj. 1991 to date
British Government						
1	Up to 5 years (25)	120.67	...	120.67	1.81	5.81
2	5-15 years (27)	128.62	-0.07	128.71	2.14	6.73
3	Over 15 years (9)	134.33	-0.17	134.56	1.84	6.44
4	Irredeemables (6)	147.30	-0.25	147.66	1.04	7.34
5	All stocks (71)	128.27	-0.06	128.35	2.01	6.48
Index-Linked						
6	Up to 5 years (1)	158.93	...	158.92	0.39	2.72
7	Over 5 years (10)	144.99	-0.14	145.19	0.68	2.22
8	All stocks (11)	145.95	-0.13	146.15	0.67	2.25
9	Debs & Loans (56)	109.29	+0.03	109.26	2.26	5.03

AVERAGE GROSS REDEMPTION YIELDS			Wed Jun 26	Tue Jun 25	Year ago (approx.)
British Government					
1	Low	5 years	9.21	9.18	10.57
2	Coupons	15 years	10.18	10.15	10.57
3	(0%-7¾%)	20 years	10.18	10.15	10.50
4	Medium	5 years	10.18	10.16	11.99
5	Coupons	15 years	10.45	10.44	11.10
6	(8%-10¾%)	20 years	10.36	10.34	10.88
7	High	5 years	10.73	10.71	12.07
8	Coupons	15 years	10.61	10.59	11.35
9	(11%-)	20 years	10.48	10.46	11.12
10	Irredeemables		10.36	10.33	10.56
Index-Linked					
11	Inflation rate 5%	Up to 5yrs	4.39	4.38	5.27
12	Inflation rate 5%	Over 5 yrs	4.35	4.33	4.19
13	Inflation rate 10%	Up to 5yrs	5.46	3.45	4.16
14	Inflation rate 10%	Over 5 yrs	4.15	4.14	4.01
15	Debs & Loans	5 years	11.89	11.89	13.77
16		15 years	11.68	11.68	12.87
17		25 years	11.50	11.50	12.86

♦Opening index 2459.3; 9 am 2453.5; 10 am 2450.1; 11 am 2442.3; Noon 2443.2; 1 pm 2443.5; 2 pm 2436.4; 2.30 pm 2437.7; 3 pm 2436.0; 4.10 pm 2435.7; (a) 8.30am (b) 3.10pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. NAME CHANGE: Davis (Godfrey) (41) is now Davis Service Group.

TRADITIONAL OPTIONS

● First Dealings June 24
● Last Dealings July 5
● Last Declarations Sept. 26
● For settlement Oct. 7

For rate indications see end of London Share Service

Calls in ADT, Aviva Pet, Burton, Pilkington and Scottish Power. Puts and calls in Beazer, Harvey & Thompson and Mountleigh.

UK COMPANY NEWS

Norweb ahead of flotation forecast with £70.3m

By Clare Pearson

NORWEB, the Manchester-based regional electricity company, yesterday announced historic cost pre-tax profits of £70.3m for the year to end-March, 11.2 per cent higher than the £63.2m it forecast in its flotation prospectus last November.

Mr Ken Harvey, chairman, said a combination of lower-than-forecast pool prices and higher demand added some £15m to profits. Volume growth from commercial and domestic customers offset a decline on the industrial side so units distributed rose by 1.5 per cent.

Additionally, there was a £4m saving on deferring the purchase of a computer and work on non-operational buildings. The interest charge at £15.3m was £2m lower than forecast.

The advance was achieved in spite of a substantial £14.5m provision for bad debts on the appliance retailing side, made following the ending of the system where Norweb's customers paid off debt on goods through electricity meters.

Mr Harvey said the company had also added other provisions, for possible extra expenditure on pensions and pay, to those included in the forecast. A £15m exceptional item, for obsolete meters, diversion of cables and equal pay, was broadly as forecast.

After the large provision, retailing, which Norweb has been keen to expand, incurred a loss of £9.8m. However, the company said it was trading profitably in the current year. The new venture with Do-it-All had exceeded expectations.

Unlike most of the other Recs, Norweb's profit forecast included an overrecovery on the supply side compared with the profits it would have been allowed to make under the regulatory system. That means it has had no shortfall to make up in this year's tariffs. Consequently they have been increased by the comparatively low level of 9.9 per cent.

Norweb stressed that thanks to strong cash flow year-end gearing was 32.2 per cent. A single dividend of 10.94p is recommended, in line with the prospectus. Actual earnings per share were 24.5p and 20.8p.

● **COMMENT**

There were a number of pleasing features in these results, especially the volume growth from distribution to domestic and commercial customers, which is where the best margins come from. With no need to make up for lost profits in supply, Norweb has also opted fully to make up for underrecovery on the distribution side: a state of affairs imposed on all the Recs at privatisation because the wrong inflation rate was factored in. One might imagine that would put the regulator on edge. On the other hand, Professor Stephen Littlechild, the electricity industry regulator, is also expected to bear in mind that Norweb's current cost rate of return is low at under 6 per cent. With no provisions or exceptional items, and the distribution recovery, pre-tax profits could escalate to £130m. If the dividend reaches 17.7p, that leaves the shares looking like good value on a prospective yield of 7 per cent, the upper end of the sector range.

Bupa loss as bigger claims take their toll

By Alan Pike, Social Affairs Correspondent

BRITISH UNITED Provident Association, Britain's largest private healthcare organisation, lost £63.26m on its medical insurance activities last year.

The losses were offset partly by profits of £16.8m on private hospitals and other health services. Bupa has transferred more than £42m from reserves in response to the losses.

Yesterday's results are the latest example of pressures facing the private health sector, including low bed occupancy and rising costs.

Bupa has about 60 per cent of the private health insurance market, but the sector is becoming more competitive, with large commercial insurers offering medical packages.

In addition the recession is hitting the insurance market, particularly corporate schemes which have been the main source of recent growth.

Lord Wigoder, Bupa chairman, said in his annual report that at the beginning of last year corporate sector subscriptions "proved to have been set at too low a level."

Both the incidence and size of claims had risen sharply. But in spite of the difficult circumstances there was a net growth of more than 4.5 per cent in insured membership.

Bupa has grown substantially in recent years by, among other things, acquiring more British private hospitals and control of Sanitas, the Spanish health care group.

Lord Wigoder said that in spite of initial problems with Sanitas, it would "in due course be a satisfactory investment."

K factor leaves Northumbrian Water down at £47m

By Clare Pearson

SPECIAL FACTORS relating to the way it was privatised meant Northumbrian Water yesterday announced a fall in pre-tax profits from £54.8m to £46.9m for the year to end-March.

A final dividend of 12.4p is recommended. That gives a 16 per cent increase to 18.6p for the year. Earnings per share were 65.3p (78.3p).

Sir Michael Straker, chairman, explained that the profits fall reflected the government's decision in 1989 to set a K factor, the maximum increase above the level of inflation which it may charge, at 7 per cent for the first five years.

This was in spite of the fact that, after pre-privatisation cutbacks, it faced a substantial increase in operating costs to achieve early improvements in customer service.

In these figures, operating margins were squeezed to 20.4 per cent (24.3 per cent). A cost rise to £132.9m (£114.3m) included a rise in employment costs to £24.8m (£19.7m).

Pre-tax profits were helped as to £2m by the settlement of a dispute involving the sharing out of the costs of building the Kielder reservoir, which Northumbrian operates.

Capital expenditure rose sharply to £104m (£65.9m). Customer charges this year have been increased by the maximum allowable amount, 18.7 per cent, for the second year running.

Turnover was £167m (£150.9m). The comparative profits and dividends for the previous year are notional, calculated as if the company had been privatised for a full year. Actual 1989-90 pre-tax profits were £10m.

On the subject of regulatory interference, Northumbrian was striking a conciliatory tone yesterday.

Sir Michael said the concerns Mr Ian Byatt had expressed about benefits to the companies from lower construction prices were "predictable" within the terms of their licences.

"Other people may be elaborating what he says and thinking he means other indices as well, when he does not."

When asked about his salary, Sir Michael said it had risen from £48,000 to £51,000 last year. Mr David Cranston, chief executive, received £82,500.

● **COMMENT**

The water results season has been made dramatic by various outbursts from the regulator on profits, dividends, price rises and diversification. But Northumbrian, unveiling the penultimate set of figures, seemed set on drawing it to a gentle close yesterday. In an unsurprising results announcement it showed it had taken full advantage of scope to increase charges but it has also managed to push capital expenditure slightly ahead of target. Pre-tax profits should recover to about £53m this year. A 10.5 per cent dividend increase would put the shares on a prospective yield of about 8 per cent, which seems fair. A forthcoming point of interest is an announcement, expected later this year, about whether Northumbrian will be allowed to construct some integrated treatment centres and a waste incinerator. Development of non-core businesses would make a considerable difference to so small a company.

Loss in travel division causes 22% drop at Hogg Robinson

By Michiyo Nakamoto

A FIRST-TIME loss in the travel division led to a 22 per cent decline in pre-tax profits at Hogg Robinson, despite record profits in transport and financial services.

Pre-tax profits fell to £8.16m (£10.41m) as the impact of recession and the Gulf war resulted in a trading loss for the first time of £2.63m (£2.3m profit) in the travel division.

The fall for the year to March 31, on higher turnover of £92.52m (£87.21m), came on a sharp decline in the second half, following record profits at the interim stage.

The group estimates that the Gulf war cost it £4m of lost profits between August and March, including £2m in the final quarter alone. Overall turnover in the travel division slipped to £55.61m (£55.79m).

The collapse of ILG also resulted in lost commissions and problems with re-locating clients.

"I have been in the business for 35 years and I can't recall anything as bad as the drop-off in the last six months," said Mr Brian Perry, chairman and managing director.

Cost-cutting measures, including a 9 per cent reduction in its travel workforce, were implemented at a cost of £850,000, which was taken above the line.

The biggest profits contribution came from the transport division, with turnover up at £19m (£13.97m). Profit rose to £3.92m (£3.48m) reflecting growth in its European trailer and haulage business. Financial services made £3.66m (£2.4m) on turnover of £16.78m (£14.61m).

Investment income also increased to £4.44m (£3.52m). Hogg has £33m cash. Earnings per share fell to 7.4p (9.07p) and an unchanged final dividend of 3.3p is recommended for an increased total of 5.55p (5.3p).

● **COMMENT**

Things could have been a lot worse for Hogg than they turned out. The group can thank the strength of its transport and financial services businesses for last year's results and hope that these divisions will be just as buoyant in the current year. While business travel has been on the mend, leisure travel is offering no promise of a pick-up yet. At the end of March, bookings for the summer were down a quarter from very depressed levels. While the collapse of ILG has taken some capacity off the market, this is overshadowed by the fall in demand. Conservatively forecast pre-tax profit of £12m gives a prospective multiple of 11.5, which is not wildly cheap. But neither is it very expensive, in the light of prospects on the transport side. The management has a reputation for being tight and for knowing its businesses well.

Sycamore aims to raise £8m in expansion plans

SYCAMORE HOLDINGS, the Lancashire-based maker of kitchen furniture, foundry and leisure prodncts, yesterday announced three acquisitions, a placing and an open offer to raise about £7.85m.

It also reported a turnround from pre-tax losses of £1.74m to profits of £113,000 for the half year to March 31.

Turnover for the six months was £3.95m (£4.17m). Earnings per share emerged at 0.24p (10.14p losses).

The acquisition of Lime Holdings, which makes wooden office and systems furniture, is for an initial £1.77m. Consideration will be satisfied by the issue of 9.31m new ordinary shares.

Dorothea, which is involved in contracting and street furniture sales, is being bought for an initial £1.1m, to be satisfied by the issue of 5.78m new shares.

Also, Warwill, with interests including the manufacture of metal street furniture, is being acquired for an initial £150,357, to be satisfied by shares. Additional profit-related payments may be made for all three purchases.

A total of 41.31m new shares have been conditionally placed by SG Warburg at 19p each. The open offer to shareholders at the same price is on a 17-for-20 basis.

BOARD MEETINGS

TODAY

Interims- Beckenham, Clyde Blowers, Hardys & Hansons, Lee (Arthur), Lonrho.

Finals- BPB Inds, Berkeley Group, Bristol Evening Post, Caledonia Invs, Graham Wood, Greycoat, I & S Optimum Inc Trust, London Electricity, Rothmans, Scottish & Mercantile Inv Trust, Scottish Power, TGI, TSB, Tams (John), Vistec, Wessex Water, Wilshaw.

FUTURE DATES

Interims-	
Aberforth Smaller	July 5
Colorvision	July 2
Cranbrook Elect	July 29
Security Services	July 4
Finals-	
ASDA	July 11
BS	June 28
Carclo Engineering	July 8
Dixons	July 10
Ensor	June 28
Lister	July 1
Menzies (John)	July 8
Tomkins	July 15
Vardy (Reg)	July 1

English & O'seas raising £4.95m

English & Overseas Property is proposing to raise £4.95m so that it can take advantage of the currently depressed market.

Shareholders are being offered a rights issue on the basis of 3-for-1 at 30p per share. Yesterday the market moved the shares up 4p to that price.

In the short term the proceeds will be used to reduce borrowings. Thereafter, two thirds will be earmarked to acquire properties having significant capital growth and profit potential, and the balance will be used to help finance the retention of the gronp's existing interests.

The issue will be underwritten by British Linen Bank. Irrevocable undertakings in respect of nearly 61 per cent of the issue have been given.

Pentos, the bookselling chain, will not participate and its holding in E&OP will be reduced to 7.48 (29.9) per cent.

Wagon up 5% and seeks European acquisitions

By Roland Rudd

WAGON INDUSTRIAL Holdings, the engineering group, ended the year to March 31 with profits up 5 per cent and a sizeable cash pile to fund further overseas acquisitions.

Taxable profits were £21.52m compared with £20.48m on reduced turnover of £255.98m (£270.26m).

The shares closed up 12p at 396p.

By selling its office furniture division and steel rolling mill the group aliminated borrowings of £24m and ended the year with net cash of £12.2m.

It hopes to use the cash to make continental acquisitions – it is currently looking at a German precision engineering company – in order to reduce its exposure to the UK economy. Just over half of its businesses are UK-based.

Mr John Hudson, chief executive, said he remained "extremely pessimistic" about the UK economy and would prefer to have almost two-thirds of group businesses based overseas.

The group needs to have at least a third of its businesses in the UK to avoid advanced corporation tax problems.

Mr Hudson said: "Back at the end of 1989, when the recession was beginning, we had a hard look at what was likely to happen and decided to sell our non-core businesses."

The disposals boosted shareholders' funds from £63.1m to £78.6m and led to a restructuring. The UK workforce was reduced by 390 to 2,000.

A slightly increased dividend of 10.675p is recommended making a total of 17p (16p) for the year.

Fully diluted earnings per share edged up to 35.89p (35.43p).

UK COMPANY NEWS

Heavy vehicle registrations fall as recession takes toll on sector

ERF tumbles £4.5m into the red

By Roland Rudd

ERF (HOLDINGS), the last independent, publicly-quoted UK truck maker, yesterday blamed a £4.47m loss for the year to March 30 on the economic recession afflicting the industry.

There was a £3.27m profit last time.

Mr Peter Foden, chairman, said that in the last quarter of trading UK heavy vehicle registrations were 35.6 per cent lower than in the equivalent period.

Figures released yesterday by the Society of Motor Manufacturers and Traders show that truck sales are continuing to fall.

During January to May sales were 39 per cent down on last year and are expected to fall to just 35,000 by the end of the year – just half the level of two years ago.

Big truck-makers like the Anglo-Dutch DAF have warned of large financial losses, and job and production cut-backs have spread across most of the industry.

ERF's turnover fell from £148m to £102.55m and trading losses came through at £4.03m (£4.05m profits).

Losses per share emerged at 44.4p compared with earnings of 22.6p. The impact of the loss was partly offset by the news that gearing remained low at 6 per cent.

The board is proposing to halve the final dividend to 3p, bringing the total for the year to 5p (10p).

Mr Foden hopes to reduce the group's dependence on the UK economy by winning more orders overseas. It has recently received an order for 440 vehicles for Zimbabwe and is planning a new range of products for export.

The sale of its plastics subsidiary, less costs of a capital reorganisation in South Africa, resulted in an extraordinary profit of £2m.

ERF's South African operation suffered a sharp downturn in profitability in the second half of the year.

The two wholly-owned UK distributor companies produced profits. A new distributor subsidiary was opened in Bristol earlier in the year.

The market was expecting a deficit after the group suffered a pre-tax loss in the six months to September of £1.37m compared with a profit of £3.74m.

The share price was unchanged at 143p.

Lep seeks to sell US security subsidiary

By David Owen

LEP GROUP is to cut gearing and focus on its transportation and distribution businesses by selling The National Guardian Corporation, its US-based electronic security arm.

The Epsom-based company announced yesterday that it was in initial discussions with prospective purchasers. The news was enough to spark a recovery in the share price, which rose 10p to 90p.

Mr John Read, chairman, denied that the move was forced on the company by its debt level and said it had always recognised that "the time would come when it would make sense to split the two operations".

"There is a time when you need to make a strategic decision," he added. No discussions were currently in progress with ADT, the security and car auction group which owns 27 per cent of its shares.

Lep had net year-end debt of some £400m, producing gearing of 186 per cent. This included £79m of non-recourse debt relating to St Paul's Vista, the group's vehicle which owns Swiss Bank House in the City of London.

In 1990, National Guardian achieved sales of $160m (£139.6m) and after-tax profits of $31.6m (£27.7m). According to Mr Read, the unit had a net book value at the last year-end of $300m after deducting underlying borrowings of just under $150m.

Acquisitions planned by Claremont and Alexon after split

By Jane Fuller

ALEXON GROUP, the retailer, and Claremont Holdings, clothes maker for Marks and Spencer, both intend to use their post-demerger freedom to make acquisitions.

Shareholders will receive one ordinary share in Claremont for each one in Alexon, according to the details announced yesterday.

Mr Lawrence Snyder, Alexon chairman, said: "Claremont's management wanted to acquire more manufacturing, we did not. We want to acquire in retailing because that is where we think there will be more growth."

Alexon would be looking for UK high street womenswear businesses which did not compete with its existing brands: Alexon, Eastex and Dash.

Mr Peter Wiegand, Claremont's chairman, said its most likely targets would be other suppliers of women's and children's clothing to Marks and Spencer.

The main historic reason for the demerger was that the growing retail activities – providing more than 60 per cent of operating profit – were increasingly competing with M and S, virtually Claremont's only customer.

Trading in Claremont shares will start on July 23. The initial price is forecast to be between 170p and 180p.

Claremont, which has annual turnover of about £50m, made £8.4m pre-tax profit in the 10 months to January 26.

Earnings per share were 13.4p.

For this year, Barclays de Zoete Wedd, broker to both companies, is forecasting earnings per share at Claremont of 15.4p. The prospective p/e at 175p, for instance, would be 11.4, compared with more than 12 for the textiles sector.

At the same price, the yield would be 5.3 per cent on Claremont's notional dividend of 6.95p for 1990-91 when the group's annual total was 17.53p.

The companies have made no forecast for this year.

All Alexon shareholders will get a 3p demerger dividend on August 15 for Claremont's trading from January 26 to the demerger date.

Claremont takes £5.75m of group debt with it, nearly 49 per cent of shareholders' funds.

Mr David Cohen, Alexon's finance director, said this left the retailing group with about £8m debt, gearing of 20 per cent.

Alexon, with sales of about £125m last year, is forecast by BZW to make £15m pre-tax profit in 1991-92 and fully diluted earnings per share of 29p. Applying the sector prospective multiple of 14, its share price would stay above 400p.

Last night's closing price for the group was 548p.

Each company will have nearly 29m ordinary shares. Alexon keeps all the preference shares, which will convert into about 7m ordinary shares.

Robert Fleming launches £60m trust

By Philip Coggan, Personal Finance Editor

ROBERT FLEMING is raising £60m via its new Emerging Markets Investment Trust, which is launched today. Investor demand, fuelled by the limited number of trusts in this sector, has led Fleming to increase the size of the offer from the previous £40m.

Exactly £15m of the issue is being offered to the public in ordinary shares of 100p each, with warrants attached on a 1-for-5 basis. The warrants entitle investors to subscribe for new shares at 100p each between 1995 and 1998.

The bulk of the offer has been sold to institutional investors, with £41.7m definitely placed. A further £3.3m is available to be placed depending on the level of public applications.

The new trust will invest in the stock markets of developing countries in Latin America, Asia and Europe. Despite the overseas nature of the prospective portfolio, the trust will qualify for Personal Equity Plan (PEP) status and shareholders will be able to invest their full £6,000 allowance in the issue.

Minimum application for the offer is £1,500 and applications will close on July 10. Dealings in the shares are expected to start on July 16.

NMC attacks trading at API as 'lamentable'

By John Thornhill

NMC, the packaging group, yesterday launched a fierce assault on the "lamentable" trading performance of API Group in its offer document for the diversified industrial group.

Last week NMC announced a *hostile £26m all-share bid for* API, although the value of the offer has fallen to £24m following the slide in NMC's share price from 73p to 68p.

Mr Norman Gordon, NMC chief executive, said API's shareholders had every reason for concern given the disarray on the company's board, the uncertainty of its future prospects and the risk that the final dividend would be cut.

He added that NMC had the management to revitalise API's businesses and remove such concerns.

It would concentrate on developing the core printing and packaging operations and sell the engineering interests, which embrace heating and *ventilating equipment*.

API continued to urge shareholders to take no action in respect of the "cheap" offer.

It added for good measure that NMC's frantic corporate activity in the late 1980's had left it in poor shape and done little to inspire confidence.

NMC's 17-for-10 share offer values each API share at 111.7p.

API's shares closed 2p lower at 112p yesterday.

Plunge to loss, £10m rights and reverse takeover at Marylebone

By Vanessa Houlder, Property Correspondent

MARYLEBONE ESTATES, the USM-quoted property company, yesterday announced a £9.9m rights issue and a reverse takeover by Hemingway Properties, a recently formed private property company.

It also revealed pre-tax losses of £6.92m for 1990 (profits £4.04m). The fully diluted loss per share was 11.9p (earnings 5.38p).

The new management of the company will be Mr Michael Goldhill, a former chairman and chief executive of Surelodge Investments, a private property company, and Mr Andrew Browne, a former finance director of Stanhope Properties.

They formed Hemingway in January 1990 as a vehicle to invest in the property market. At March 31 it had a net asset value of £353,000 and will be acquired by Marylebone for £450,000.

The proceeds of the rights issue will be used to reduce gearing from about 250 to 100 per cent, to improve existing properties and to buy new investment properties. Mr Goldhill said the aim was to diversify away from office properties in London and the south-east.

"The current severe conditions in the property market have led to a situation where the company has to restore its finances if it is to capitalise on its new strategy," he said.

Marylebone will move up from the USM to the main market and change its name to Hemingway Properties. It is consolidating its shares so there will be one 25p share for every 5 shares of 5p.

The rights issue will be at 25p on the basis of 4 new shares for every consolidated share. It has been underwritten by Brown Shipley and the broker to the rights issue is Paribas. Marylebone's shares moved down from 16p to 14½p.

Bristol & West plans expansion

By David Lascelles, Banking Editor

THE BRISTOL & West, the UK's 10th largest building society, is to acquire the Cheshunt, the Hertfordshire-based society which ranks 37th.

The deal will have to be approved by the Cheshunt's members, who will be offered a bonus if it goes through. The two societies indicated yesterday that this will be a payment of at least 1 per cent for investors, probably including a loyalty element. Borrowers would get a discount of ½ per cent for six months, provided they were not in arrears.

The Bristol & West, with assets of over £8bn, has 350 branches mainly in the south and south west of England.

Bromsgrove rises to £8.85m

By Paul Cheeseright, Midlands Correspondent

BROMSGROVE Industries, the Birmingham-based specialist engineering group, yesterday announced a 12 per cent *increase in pre-tax profits*, bucking the trend elsewhere in the sector.

But the cost of disposals and closing businesses outside the main streams of its activities, taken as a below the line charge of £2.93m cut net profits by half to £3.04m.

For the year to March 31, Bromsgrove lifted pre-tax profits from £7.9m to £8.85m, slightly higher than the group had forecast last month when making an offer for Invetek, a BES company making safety products. Half of the profits increase came from organic growth and half from the effect *of acquisitions*.

Earnings per share were 14.55p (14.25p). The final dividend is raised to 2.45p, bringing total payments for the year to 3.9p (3.6p).

Mr Bijan Sedghi, chairman, was cautious about immediate prospects, confessing that "prevailing economic conditions do not make it easy to make an accurate prognosis with the degree of responsibility that we normally prefer."

But no companies in the group are currently trading at a loss, and at end-March the group was returning 45 per cent on capital employed.

Disposals of a loss-making trim business, some properties and financial services companies reduced the level of net profits but also cut gearing from 49 per cent in March 1990 to 23 per cent in March 1991. Current gearing is 14 per cent.

Group activities are now concentrated in aerospace and offshore, automotive, materials and plastics, each providing roughly a quarter of operating profits.

Dares in talks with banks as retained losses approach £35m

By Maggie Urry

DARES ESTATES, the property group, said yesterday that it was in talks with its bankers after recording a £34.9m retained loss for 1990, against profits of £8.5m previously, and breaching its banking covenants.

At the December 31 year-end the group had borrowings of £145.4m, but since then these have been reduced to £74.4m through property sales.

The loss was after exceptional losses of £27.25m, relating to the fall in value of the company's properties, and extraordinary losses of £2.27m relating to the closed housing activities. Before these items and tax, Dares made a loss of £3.26m (profit £9.1m) after an interest charge of £18.5m (£4.2m).

The final dividend is passed, leaving 0.25p (1.5p) for the year.

In February Dares said that it would not pay a dividend on its preference shares.

The 1990 accounts have been audited on a going-concern basis, assuming that further property sales are achieved and that the group's bankers "will amend, extend and increase their facilities".

The group's properties have been written down to a carrying value which directors estimate is in line with their values on a break-up basis, if orderly sales were made. Forced sales would mean further reductions.

NEWS DIGEST

Courts tops £9m with 14% rise

IN SPITE of exceptionally difficult trading conditions in retail home furnishing in the UK, Courts (Furnishers) increased pre-tax profits by 14 per cent, from £7.95m to £9.05m, in the year ended March 31.

The figure was struck after transferring £5.55m (£3.53m) to deferred profit, bringing the cumulative total to £24.65m, which will automatically flow into profits in future years.

Turnover rose 13.5 per cent to £175.05m, with the UK contribution rising nearly 15 per cent to £95.49m; overseas sales increased 12 per cent to £79.56m. At constant exchange rates, however, overseas growth would have been 25 per cent and group profits would have been £1.24m higher than the reported figure.

Operating profits rose 15 per cent to £20.12m despite a fall in property profits from £3.83m to £1.64m. Interest costs were clipped to £5.52m (£5.99m).

Earnings per share came to 23.8p (20.9p). The final dividend is 3.17p, for an unchanged total of 5p.

Mr Paul Cohen, chairman, said that in the UK four new Mammoth Superstores were opened last year and three had opened this year. Other units were closed.

Overseas profits were earned mainly in the Pacific/Indian Ocean and Far East.

Cash remittances from overseas remained good, totalling more than £3.7m for the year, and a further £1.1m in the current year to date.

Kewill maintains progress with £3.7m

Kewill Systems, maker of software for manufacturing industry, maintained progress in the year to March 31 1991 with pretax profits up by 40 per cent to £3.7m, on turnover 82 per cent higher at £31.3m.

The growth stemmed substantially from new acquisitions – HAN Dataport Group in Germany, and Micro-MRP in the US.

In the UK sales declined from £16.2m to £13.3m, while operating profit fell from £2.7m to £1.7m.

Earnings per share moved ahead from 27.11p to 31.2p and the dividend is lifted from 4.5p to 5p.

Analysts are predicting profits of £4.75m for the current year.

Davenport Vernon halved to £0.55m

Declining margins, particularly in the new car market, hit Davenport Vernon in the half-year ended March 31, with pre-tax profit halved from £1.1m to £547,000.

Turnover at this Buckinghamshire-based company rose to £48.86m (£46.78m). Mr Ralph Denne, chairman, said the number of new vehicle units sold was similar to last year, while used cars had shown a modest increase.

Service activities, including bodyshop and parts, were strong with increased profits, but income from petrol forecourts declined on lower demand.

The group recently added Mazda to its franchises, and now represented 15 UK, European and Japanese car manufacturers, Mr Denne said.

Earnings per ehare fell to 2.8p (5.6p) but the interim dividend is held at 1.5p.

Substantial cut in Widney deficit

A continued improvement in trading enabled Widney, the engineering group, to cut losses from £923,000 to £406,000 in the half year to March 31.

The result, although far from satisfactory, demonstrated the underlying recovery in the position of the group, said Mr David Cassidy, chairman.

Turnover moved ahead to £10m (£9.19m) reflecting the acquisition of Chadburns and the sale of Widney Eurocraft.

With the exception of Widney Products all companies contributed to the improved figures as a result of rigorous cost reduction and control, together with attention to pricing, customer service and quality, he added.

Losses per share were reduced to 0.89p (5.69p).

Reduced loss at Stainless M'craft

Stainless Metalcraft, the medical and engineering group, reduced losses from £256,000 to £195,000 in the half year to February 1991 on sales which rose 17 per cent from £3.66m to £4.3m.

After a tax credit of £68,000, compared with £90,000 previously, and a minority debit of £15,000 (£23,000), losses per share decreased to 2.5p (3.3p).

Cautious outlook at Sterling Industries

Sterling Industries, the combustion and hydraulic engineer, lifted taxable profits by 29 per cent over the year to March 31.

The outcome – £4.07m against £3.14m – was buoyed by a full 12 months contribution from the Bloom operation in the US. However, Mr Peter Buckley, chairman, sounded a warning on the current year: "Our opening order position is some 20 per cent lower. This will make it a hard task to match last year's operating results."

Profits from the combustion side rose to £2.43m (£1.48m) as good performances in the US, Germany and especially Australia more than offset a disappointing outcome in the UK. Hydraulics put in £755,000 (£606,000).

Investment income, mainly dividends from Sterling's 8.8 per cent holding in Caledonia Investments, rose from £1.17m to £1.4m.

Turnover expanded to £39.46m (£30.27m). Earnings per share emerged at 9.03p (7.84p) and a proposed final dividend of 4.1p brings the total for the year to 5.6p (5p).

Sweet results for John J Lees

John J Lees, the Scottish confectionery maker, lifted pre-tax profit by 31 per cent, from £310,000 to £407,000, in the year to March 31.

Directors considered the result satisfactory in spite of the more difficult trading conditions in the second half.

Sales were currently in line with bndget, they said. Reduced interest rates would be beneficial, but the 2.5 per cent rise in VAT was affecting margins.

Turnover rose to £10m (£8.78m). Earnings per share were 4.05p (3.17p) and the final dividend is unchanged at 1.25p for a maintained 2p total.

James Latham falls to loss of £261,000

James Latham, the timber merchant, tumbled to pre-tax losses of £261,000 in the year to March 31, against profits of £2.43m last time.

The company blamed the strong pound, which held back turnover, "a poor bad debt experience" of £738,000 and many of the debts falling below insured levels, and declining sales in spite of the addition of *Nevill Long last April*.

Turnover expanded to £66.04m (£63.2m) though trading profits fell to £2.55m (£4.26m). Interest payable leapt 68 per cent to £1.92m (£1.14m) and there was an exceptional loss of £63,000 in respect of the costs of amendments to the memorandum and articles relating to issues of preference shares.

Losses per share emerged at 4.68p (earnings 29.13p) and the proposed final dividend is reduced to 4.5p (7p) for a total of 6.5p (11.25p). An *extraordinary loss of £650,000* represented closure costs of subsidiaries.

Melville disposes of building side

Melville Group has agreed to dispose of its building products activities, one of the main causes of the sharp decline in its interim profits, to Bntler Holdings.

Melville Building Systems and its subsidiariee were bought from Butler and other vendors in 1989.

The consideration of up to £4.5m is payable in cash, made up of £1.275m received on completion, £325,000 tied to certain pre-conditions and up £2.9m in 1995 depending on profits.

Intra-group loans of £1.18m have also been repaid and Butler has waived its right to conditional deferred consideration of up to £325,000.

Proceeds of the disposal will be used to reduce borrowings at Melville, which in the first half to December 31 saw profits tumble from £3.14m to £1.76m. The contribution from building products declined from £861,000 to £38,000.

Mr Edwin Bisset, chairman, said a recovery in activity on the exhibitions and interiors side would be too late to affect the current year.

Marginal increase at Chartwell

A marginal increase from £1m to £1.01m in taxable profits was achieved at Chartwell Group in the year to March 31. This maker of carpet tiles and laminates moved to the USM in December.

Turnover increased by 27 per cent from £11.9m to £15.13m. The period was marked by the *acquisition and integration* of Venesta International Cubicles and the company said the associated costs had now been provided for and it looked forward to progressive improvement in profits.

Interest charges were substantial for the first nine months of the year, but a sale and leaseback of property for £1.4m had been used to cut borrowings.

A dividend of 0.75p is recommended on earnings of 11.8p (12.9p) per share.

Cable and Wireless

Cable and Wireless, the telecommunications group, revealed in its annual report for 1991 that it was paying its former chairman, Lord Sharp, £650,000 for a one-year consultancy agreement.

Stormgard talks off

Directors of Stormgard announced that discussions which might have led to an offer for the company have been terminated.

The shares fell 2p to 9p yesterday.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bromsgrove Inds ....fin	2.45	Aug 23	2.3	3.9†	3.6
Chartwell § ....fin	0.75	-	-	0.75	-
Courts (Furn) ....fin	3.17	Oct 11	3.17	5	5
Dares Estates ....fin	nil	-	1	0.25	1.5
Davenport Vernon....int	1.5	Aug 1	1.5	-	4
ERF ....fin	3	Aug 14	6	5	10
Exmoor Dual ....int	2.7★	Sept 6	2.4	-	9.6
Hogg Robinson ....fin	3.3	Aug 16	3.3	5.55	5.3
Kewill § ....fin	5	Sept 16	4.5	5	4.5
Latham (James) ....fin	4.5	Aug 18	7	6.5	11.25
Lees (John J) ....fin	1.25	Aug 16	1.25	2	2
Marylebone Est§ ....fin	nil	-	1.5	nil	3
Nth'brian Water....fin	12.4	Oct 1	10.69	18.6	10.69
Norweb ....fin	10.94	Oct 9	-	10.94	-
Office & Elect ....fin	nil	-	nil	0.1	0.1
Scantronic ....fin	2.18	-	2.18	2.97	2.9
Sterling Inds ....fin	4.1	Aug 18	3.65	5.6	5
Wagon Industrial....fin	10.675†	Oct 2	10.25	17	16

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ★Third interim.

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TECHNOLOGY

Clive Cookson and **Karen Zagor** report on the vaccines currently being tested to fight HIV

Shots fired at the Aids virus

Vaccine research was the scientific highlight of the International Conference on Aids in Florence last week. In contrast to the disappointing progress in developing drugs for Aids patients – and the gloomy assessments of the disease's rapid spread around the world – there was unexpectedly encouraging news of vaccines to prevent infection.

Eleven prototype vaccines are being tried on small groups of human volunteers, though none is yet ready for large-scale clinical trials. And several more have shown promising results in animal tests.

A year or two ago, many experts believed that it would be impossible to produce a commercial Aids vaccine in the foreseeable future. Their pessimism was based on the nature of the Human Immunodeficiency Virus (HIV) which causes Aids. It infects the immune cells, whose function is to fight off infections, and inserts its own genetic material into them. At the same time the variability of HIV – even greater than that of the notoriously changeable influenza virus – made scientists unsure whether one vaccine could protect against all its different strains.

Many uncertainties still remain. But recent experimental results have encouraged former pessimists, such as Dr Jorg Eichberg of the Southwest Biomedical Research Centre in Texas. He used to maintain that an Aids vaccine would be impossible but said last week: "I'd almost stick my neck out that we will have a vaccine this decade."

The most impressive data so far come from chimpanzees, the only animals other than humans that can be infected by HIV. (Conservationists are concerned that the demands of Aids researchers are leading to the illegal capture of endangered wild chimps in Africa.)

Chimps protected by experimental Aids vaccines and then exposed to HIV have remained free from infection. Dr Josef Manhalter, a researcher with Immuno AG of Austria, told the Florence conference that chimps given his company's vaccine had resisted infection for 2½ years – "the longest lasting immunity known to date".

Human trials have so far been limited to giving vaccines to volunteers and studying the way their immune systems respond. No one is prepared to risk injecting immunised volunteers with live HIV, as they have done with the chimps.

The clinical trials show an encouraging response by the human immune system to the experimental vaccines. The most impressive results were reported by Dr Barney Graham of Vanderbilt University, Tennessee.

His team immunised a dozen healthy volunteers twice. First they received a vaccine based on the classic vaccinia virus (used to inoculate against smallpox) but genetically engineered to incorporate en HIV surface protein called gp160. Then about a year later they were given a booster shot of a different gp160 vaccine made in insect cells. The theory is that the first vaccine stimulates the T-cells of the immune system, then the second stimulates B-cells – producing a strong combined response.

"This combination induced an immune response that was greater than any achieved in previous trials using a single Aids vaccine," Graham said. "This response is in the range that would be expected for an effective vaccine."

A few researchers including Dr Jonas Salk, inventor of the polio vaccine in the 1950s, are working on Aids vaccines based on inactivated or killed HIV. But most prefer to use genetically engineered fragments of HIV, known as subunits, to stimulate antibodies against the virus.

The most popular approach is to make sub-unit vaccines from pieces of HIV's outer coating. These "envelope" proteins include gp160 (Bristol-Myers Squibb/Oncogen, MicroGeneSys, Immuno AG) and a shortened version of it, called gp120 (Genentech, Chiron/Ciba-Geigy).

Others, however, are using HIV "core" proteins. For example British Biotechnology, based in Oxford, has attached p24 core protein to its innovativa Virus-Like Particles – VLPs are made from genetically engineered yeast and produce a strong immune response, like real viruses, when injected as a vaccine. Tests with 16 healthy volunteers started at St Mary's Hospital Medical School, London, last November, and first results are expected this year.

Dr June Grindley of British Biotechnology says p24 alone is unlikely to give sufficient immune response to protect against HIV infection. The company, which last week won a £7.86m government grant to expand its VLP development under the Eureka programme, plans now to add an envelope protein to the p24 vaccine.

Although the most important use of HIV vaccines in the long run would be to protect people who are at risk but not infected, a more immediate application could be to boost the immune defences of people who are already HIV-positive but do not have Aids symptoms. There is some evidence that "therapeutic" immunisation could delay the onset of the disease – typically five to 15 years after infection.

A trial at the Walter Reed Army Medical Centre in Washington DC, published in the New England Journal of Medicine this month, showed that shots of gp160 vaccine increased the number of HIV antibodies and T-cells in asymptomatic HIV carriers.

Many scientists are now coming to believe that a key target for Aids vaccine research is a small part of the gp120 and gp160 envelope proteins, known as the "V3 loop".

Repligen, a Massachusetts biotechnology company, and Merck, the largest US pharmaceutical group, are jointly developing a vaccine based on the V3 loop – the "Achilles heel of HIV", as Dr Walter Herlihy of Repligen puts it. Their researchers told the Florence meeting that a V3 antibody injection had protected a chimpanzee against HIV infection since September 1990.

Repligen and Merck also reported the results of experiments which indicate that V3 antibodies to one HIV strain can neutralise other strains. "These data support our belief that a combination of V3 loops may be able to elicit a comprehensive neutralising antibody response," Herlihy said. If so, the variability of HIV might be less of an obstacle than Aids specialists had feared.

Harlihy expects to start human trials of a V3 loop vaccine next year, if chimpanzee tests continue to go well. British Biotechnology also hopes to incorporate V3 loop in its next generation of Aids vaccines.

Although tha chimpanzee is the only non-human species susceptible to HIV infection, there is another animal model: macaque monkeys suffer from the related Simian Immunodeficiency Virus. SIV research is another important strand of Aids vaccine development.

Research supported by the UK Medical Research Council has shown that a single vaccine can protect monkeys against several SIV strains and against transmission of tha virus not only directly into the bloodstream but also through the "mucosal tissues" of the rectum and vagina.

Ons practical problam, which has been highlighted by the monkey research, is that immune protection gradually wears off. Dr Alan Stone, head of the MRC Aids secretariat, says that about half of the protective effect disappears within six months of vaccination.

As researchers overcome the scientific obstacles to developing an Aids vaccine, tha political and financial problems of organising large-scala clinical trials loom larger.

For a single trial, thousands of people who are HIV-negative but at high risk of infection will have to be vaccinated and monitored regularly over a period of several years. People who fall into the high-risk category are generally not dependable subjects and, as Dr Pat Fast of the US National Institutes of Health points out, anyone conducting a trial would have a moral obligation to warn subjects not to engage in high-risk behaviour.

Most Aids vaccine researchers hope that the World Health Organisation will organise large-scale trials in third world countries, particularly in Africa where the impact of the disease is most devastating.

Slimline PCs take the weight off mainframes

The National Grid, which distributes electricity to UK regional electricity boards, plans to cut its information technology costs by between 40 and 50 per cent by disposing of some of its mainframes and moving most applications to personal computer networks.

It is one of an increasing oumber of organisations saving money hy "downsizing", swapping mainframes or minicomputers for smaller systems.

The trend towards downsizing is gaining momentum. At least 25 per cent of large US companies are downsizing some of their their key IT applications, according to a survey done by the Boston Systems Group, a US consultancy specialising in downsizing. In Europe new consultancies and courses are springing up to take advantage of rising interest in the subject. The first UK course on downsizing, held in April by International Business Communications, the UK-based conference organisers, was oversubscribed.

Of all the factors driving the downsizing trend, the two strongest are the desire to save money and to increase flexibility. Over the past year powerful PCs (386s and 486s) have become cbeaper, making it harder to justify mainframe prices. According to Microsoft's consulting division, one Mip (millinns of instructions per second) on a mainframe costs about $100,000 (£61,500). On an advanced PC the cost can be as low as $2,000.

In addition, Theodore Klein, president of the Boston Systems Group, estimates that development costs are just a quarter to a third of those charged for mainframes, and maintenance is about half to three quarters of the price.

Ian Brand of the National Grid says that he expects costs for business systems applications (personnel, project scheduling, work management) to come down to between £10m-£12m a year over the next year, from between £25m-£27m now.

But cost savings are not the only factor fuelling the downsizing trend. Many companies downsize because they want to be more responsive to changing market coditions. "Big computers can be very hrittle, making it hard to change direction," says Klein. "It's a bit like sending a battleship, when a popgun will do."

City stockbrokers Smith New Court chose to develop its new dealer information system on PCs supported by a Compaq file "server", rather than on its existing Dec Vax computers, because it wanted a more flexible system.

"Client-server" computing is proving the most common architecture for downsized installations. The user's PC, the "client", does a lot of its own processing, but can also issue commands to a larger computer on the network, the "server". The function of the server, which can be a powerful PC, a workstation, a mainframe or a minicomputer, is to store and process information that would be too cumbersome for the client PC to handle. Wherever processing takes place, information is presented to the user on the PC. And PCs can draw information from more than one server.

'Big computers can be very brittle, making it hard to change direction. It's a bit like sending a battleship, when a popgun will do'

Client-server computing often appeals to organisations which feel that they are not making the most of their investment in PCs. Merrill Lynch, the US stockbroking firm, found it had about four times as many Mips on the desktop as in data centres.

But Christine Guilfoyle, joint author of Client-Server Computing: Commercial Strategies*, warns that developing applications and managing data in a client-server environment is harder than it looks. Potential pitfalls include:

- Lack of an effective management infrastructure. "Companies don't always realise that a totally centralised IT structure is not suitable for a decentralised system," says Klein. "Re-organising IT is not just a technological event."
- Shortage of experienced support staff.
- Immaturity of technology. The choice of tools for managing client-server environments and building applications is still limited.
- Trying too much, too quickly. Many information systems managers make the mistake of attempting an immediate, large-scale downsizing effort. Klein says it is better to start off with a pilot application of moderate scope, which does not involve complex interconnections of data.

Companies which are downsizing usually opt for open operating systems, such as Unix for workstations, mid-range computers and file servers, and Dos, the de facto standard for PCs.

In the past year, new products which make downsizing easier have started to appear. Graphical users interfaces such as Microsoft's Windows 3.0 are popular because they mean that all applications downloaded on to the PC can be used through a consistent interface.

Despite such advances, Ross believes that many companies are still ignoring the PC. "Some are so caught up with working through their IT strategy that the last thing they want to believe is that there is a cheaper way of doing it."

He believes that in the short term many IT departments will not want to abandon their investment in proprietary technology. "Mainframes and minicomputers can be integrated with PC networks, with new applications being developed for PCs," says Ross.

As small systems start to match or surpass what mainframes and minicomputers can offer, some feel that the term downsizing is a misnomer. Ross prefers "rightsizing".

Joe Sutherland of building company Geoffrey Osborne shares this view. He replaced an IBM system 36 with a PC network a few years ago. "Now we would need four system 36s to match our existing storage capacity," he says.

Joia Shillingford

** Client-server Computing: Commercial Strategies. By Caroline Chappell, Christine Guilfoyle and Julian Hewett. Contact Garvin Lambert of Ovum on (UK) 071 255 2670.*

COMMODITIES AND AGRICULTURE

MacSharry seeking 35% cereal support price cut

DETAILS OF a revamped reform plan for European Community agriculture trickled out yesterday as Mr Ray MacSharry, the agriculture commissioner, unveiled his ideas to fellow commissioners at their regular weekly meeting, reports Reuters from Brussels.

A cut in cereals prices of some 35 per cent, bolstered by compulsory acreage set-aside, is the centrepiece of the plan, EC officials said.

"It was positive all round. They [the commissioners] recognised the disaster ahead if something wasn't done, and saw the plan as an imaginative and bold approach," one said afterwards.

Mr MacSharry has woven in changes to his plan based on reactions to drafts and discussions earlier this year. He presented a confidential paper to commissioners that he complemented figures given orally to indicate the magnitude of the changes he was seeking, the officials said.

The commissioner expects the effects of the measures on cereals to filter through to the deeply-troubled beef and dairy sectors.

Officials said the key changes from a draft leaked in January concerned the organisation of payments to cereals farmers. Mr MacSharry had earlier envisaged a system divorced from production to ensure stable farm incomes. He has now opted instead for a scheme linked to the factors of production and modelled on the US deficiency payment system.

The switch is in response to criticism from Britain and the Netherlands, which objected to the penalties they believed their farmers would incur.

Mr MacSharry's stated aim of redistributing EC resources from rich to poor areas would be toned down, the officials said, and only the very biggest farms were likely to feel the pinch of price cuts.

In Brussels, an EC officials' strike and a news blackout imposed after farm ministers panicked over January's leaks meant few details were available.

But in Paris, Mr Louis Mermaz, the French farm minister, on Tuesday told a senate committee that he understood the cereals price would fall to Ecu100 (£70) a tonne from Ecu155 over three years, with farmers being fully compensated for any lost income.

He said farmers with less than 20 hectares would not be obliged to take land out of production to qualify, but over 20 ha they would have to set 15 per cent of their cereals land aside, a senate press statement reported. Farms with more than 50 ha of cereals would not ba fully compensated for set-aside, the statement added.

EC officials said MacSharry wanted to cut milk prices by about 10 per cent, to cut the global milk production quota beyond the 2 per cent agreed during annual price-fixing negotiations and to cut beef prices by 15 per cent.

"These are the orders of magnitude likely to be considered," one official said.

The entire package is estimated to cost an extra Ecu4bn to Ecu5bn above current projections. Structural funds would contribute to the excess.

Among other elements in the reform package are incentives to switch to environment-friendly farming, encouragement for reforestation and for young farmers who want to set up, officials said.

Private agriculture amid collective confusion

Leyla Boulton looks at the changing face of farming in the Soviet Union's Volgograd region

Last year the Soviet military had to be drafted into the potato harvest to avoid disastrous shortages

MR VIKTOR Shtepo, 63, was twice made a Hero of Socialist Labour for his 30 years of service to Soviet state agriculture. Since his removal last year as director of the Volgo-Don state farm, however, he has become the leader of a campaign to replace state and collective farms with private agriculture.

"This is a system I cannot defend any more," he said in an interview held in – of all places – the office of the Communist Party secretary at the state farm he used to rule with an iron fist. This upright communist is now the head of the Farmers' Association for Russia's southern Volgograd agricultural region.

As the annual scramble to collect the harvest nears, the country's newspapers are resuming their summer supply of sad tales about Soviet agriculture. Despite talk of emergency measures by the government to save the harvest, combine-harvesters are being delivered without cabs or reapers, and imported pesticides on which the government has spent millions of dollars have not reached the fields. Food production has already fallen by 7 per cent over the first five months of this year, and the Soviet Union will yet again have to import millions of tonnes of grain.

Peasants on collective farms, known as kolhozy and state farms, sovhozy, say their costs have risen so much that the benefits of increased state purchase prices have been eliminated. Some are even warning of bankruptcy or strike action unless their demands for more funds and more machinery are met. And everybody knows that, however well or poorly agriculture performs, much of what is produced will be lost before it reaches the consumer because of the decrepit state processing industry and distribution system.

While he opposes a forcible *dismantling* of collective and state farms, Mr Shtepo says the old administrative-command system, which "worked for decades", has outlived its usefulness because there is no longer any fear of disobeying orders from above.

"You cannot destroy kolhozes and sovhozes right away, as some hotheads are proposing, but it is impossible to stop economically weak ones from collapsing," said Mr Shtepo, who is also a member of the Soviet parliament's agriculture committee.

The local government of the Volgograd region has made an exceptionally early start in implementing land reform approved by the Russian parliament last December. Some 900 farmers – or "fermers" as they are called in Russian – have sprung up in the area around the city best known by its wartime name of Stalingrad.

Elsewhere, Mr Boris Yeltsin, the president-elect of Russia, has accused local authorities and Communist Party conservatives of sabotaging legislation giving peasants the right to buy land for the first time in Soviet history. In order to prevent land speculation, it cannot be re-sold for 10 years – and even then it can only be sold back to local authorities.

The Volgograd council has set aside 100,000 hectares of arable land for private farming from so-called state land reserves – a total of 3m hectares is under plough in the region. Authorities are also distributing money from a R1bn fund set up by the Russian government to help the new farmers to acquire machinery, fertilisers and seeds and to build homes if they have had to move. Many remain in the homes they lived in while they were part of collective or state farms – although there have been cases of hostile state officials trying to evict them. For five years they pay no tax but are required to sell 30 per cent of their grain to the state at fixed prices in return for help in getting started.

In some places, the degree of co-operation between the state sector and the fledgling farmers is almost incestuous.

Mr Stepan Klukov, a communist, heads the Volga "kombinat" – a state complex encompassing a whole chain of food production, from the collective farm to agro-industrial plants.

The 34 private farmers who have appeared over the past six months within this mini-empire include Mr Klukov's own son, who enjoys the active support of his influential father.

"I think that socialism and capitalism were terms created for politicians, not for producers," he says.

Opponents of land reform say that Soviet peasants, 60 years after their fathers were brutally herded into collective farms by Stalin, are not capable of managing on their own holdings.

A combine-harvester driver stopped at random at a collective farm called Land of the Soviets – within the Volga combine – seemed to confirm this view. "What will happen if the weather turns bad?" he asked.

But *Mr Shtepo, who cites the bold land reforms of the turn-of-the century prime minister, Mr Pyotr Stolypin, is confident that the example of successful private farmers will encourage others.*

Land of the Soviets' best agronomist, before he left, taking with him 50 hectares was 42-year-old Mr Alexander Melnikov. He has set up a joint 200-hectare farm with three other former kolhoz members.

"Life is better, calmer, even though physically, the work is harder," he says, surveying his field of winter wheat. "I've been wanting to do this for some time. The problem with socialism is that it wants to make everybody equal."

Mr Valentin Sirotin, the kolhoz's demoralised-looking chairman, said he would not mind leaving either. He is fed up with the state's threats and demands – he has to deliver 4,500 tonnes of grain this year to the state regardless of the size of his harvest – which may be down 50 per cent from last year's level. The state has otherwise threatened to fine him to the tune of five times the value of what he fails to deliver.

The picture is rather different at the Volgo-Don farm, created in Nikita Khruschev's campaign to conquer "virgin lands" in the 1950s, when thousands of young people such as Mr Shtepo were sent out to the countryside.

Volgo-Don, which produces 30,000 tonnes of grain a year, has 9,000 livestock and is part of an association that supplies a third of the vegetables sold in the city of Volgograd, is a success story by Soviet standards.

When four "specialists" applied for permission to leave the sovhoz with land, they were told they could have only seven hectares each.

Mr Alexander Bulushin, Mr Shtepo's young successor, explains that this is what they would be entitled to if the land were split evenly among all the people who worked on the sovhoz. If they were to get the 100 hectares each they asked for, dozens of people would have to be sacked, he says, revealing the glorious inefficiency of the state sector – which consumes manpower and resources as if there is no tomorrow.

Certainly, modern agriculture does not mean the destruction of large-scale farming. But it is only ideology that militates against the farms created by socialist power being transformed into more efficient, market-oriented operations.

Canadian pipeline plan rejected

By Bernard Simon in Toronto

CANADA'S NATIONAL Energy Board has for the first time rejected an application to build a natural gas pipeline on environmental grounds.

The board has refused to allow TransCanada PipeLines, the country's biggest pipeline operator, to build a 25 km (15 miles) pipeline across a picturesque stretch of the St Lawrence River in eastern Ontario. The pipeline, known as the Gananoque Extension, would have supplied 17.5m cubic feet of gas a day to upper New York state.

The board said in its decision that TCPL's studies of the environmental and socio-economic impact of the pipeline were incomplete, and that the company should have taken greater account of the concerns of residents and other groups affected by the project.

The area, known as the Thousand Islands, is a popular Ontario tourist spot and includes many country cottages. Mr Peter Murray, one of the organisers of the protest against the pipeline, said that it "would have given an artificial appearance to the natural beauty of the islands".

The underground route would have crossed two of the largest islands in the area before going under the St Lawrence. Local residents were especially upset that mature stands of hemlock, maple and pine would have been cut down at the point the pipeline entered the river.

TCPL and its US customer Niagara Mohawk have yet to decide whether they will abandon the project, appeal the NEB decision or seek alternative ways of proceeding. A Niagara Mohawk official said yesterday that the decision "casts a real pall over the project", but that supplies from US gas producers will be sufficient to meet its needs.

Ironically, TCPL was given permission earlier this year to put a pipeline across the St Lawrence only 80 km downstream of the proposed Gananoque crossing. This pipeline, to supply the much larger Iroquois Transmission System in the north-east US, runs across a right of way owned by Ontario Hydro.

Amoco in Soviet oil development deal

By Barbara Durr in Chicago

AMOCO CORPORATION has reached an agreement with the Soviet Union for development of an oil field in the Azerbaijan sector of the Caspian Sea.

Amoco estimates investment for the development, believed to be the Soviets' biggest yet with a Western oil company, to be in the "low billions of dollars" and its potential production in the "low billions of barrels".

The US company competed for the project against British Petroleum and other companies in the first ever international bidding competition held by the Soviets. The competition was organised by both the government of the Azerbaijan Republic and the Soviet oil and gas ministry, thus helping to diminish the potential political risk of conflicts between an independence-minded republic and the central Soviet government.

The field is located 90 miles offshore from Baku, the Azerbaijan capital. Over the next 18 months, Amoco will work with the Soviet company Kaspmorneftegas to prepare a detailed feasibility study for developing the field.

Amoco has chosen McDermott International, a worldwide energy engineering and construction company, as the prime contractor for the Azeri field facilities.

The company says it is also looking at Soviet oil properties in Siberia.

US urged to boost aid for value-added farm exports

By Nancy Dunne in Washington

THE US Department of Agriculture is being urged to move aggressively to expand the US market share of value-added agriculture exports and to challenge the "cannibalistic practices" of the European Community with the use of American export subsidies, loan guarantees and other schemes.

The US is the world's largest agricultural exporter in terms of volume, but its portion of the value-added trade is comparatively low. The EC holds a 21 per cent share; the US, about 8 per cent.

This is particularly infuriating to US flour millers, who attended a House of Representatives agriculture subcommittee hearing this week. Mr H.D. Hale, chief executive officer of ADM Milling Company, said the US share of the flour trade had plummeted while the EC's had risen due to "the aggressive and predatory subsidy practices which have become institutionalised within the EC Common Agricultural Policy".

While the USDA has put most of its subsidies from the Export Enhancement Program to the promotion of raw commodity exports, it has allocated only 7 per cent for value-added products. Last year's farm legislation urged the department to devote 25 of its subsidies to pushing higher value products.

"Unless we place a higher priority on processed, value-added products, we will cede the highest growth, most stable markets to other nations exercising more coherent and rational economic policies," said Congressman Pat Roberts, a Kansas Republican, at this week's hearing.

He said the average value of US agricultural exports per tonne was only $223 compared to the world average of $429 per tonne and the EC's average of $637 per tonne.

Mr Russ Sanders, chief executive officer of the National Pork Producers in Des Moines, Iowa, said the US needed a detailed plan with a set of objectives and steps significantly to increase its market share.

The US pork industry exports only 2 per cent of its production, a share he hopes to increase to 10 per cent within the next 10 to 15 years. Japan has become the largest market for pork, but the US has difficulty competing against EC subsidies there, he said. The Danes alone, though producing only 5 per cent of the world's pork, control 30 per cent of the global trade.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold continued to recover Monday's losses on the London bullion market yesterday, although the main moves came from the Asian and US markets. Dealers said gold opened above support at $365 a troy ounce after overnight buying in Asia and appeared poised for further gains on the back of a constructive Comex chart picture. On the LME copper edged ahead as the market marked time ahead of key strike votes in Chile. Miners at the giant *Chuquicamata mine and port* workers at Antofagasta were voting last night; power workers at Tocapilla, which provides power for the La Escondida mine, vote today. Uncertainty whether supplies from the world's largest copper producer will be disrupted has underscored recent gains. But it may now need an actual stoppage or further fundamental impetus for the market to sustain current levels, dealers said. Aluminium *remained hesitant*, initially being dragged higher by firmer copper but lacking follow through interest of its own. "It's stuck in no man's land between where consumers want to buy it and producers want to sell it," *one trader said. New York* raw sugar prices for July were at a nine-month high of 10.50 cents a lb at midday on short covering.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.20-5.35z	+.025
Brent Blend (dated)	$18.05-8.15	
Brent Blend (Aug)	$18.30-8.40	+.00
W.T.I. (1 pm est)	$20.10-0.15z	-.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$239-241	-4
Gas Oil	$175-176	-2
Heavy Fuel Oil	$64-66	-½
Naphtha	$184-158	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.5	+2.5
Silver (per troy oz)♣	438.0c	-1.0
Platinum (per troy oz)	$374.50	+1.25
Palladium (per troy oz)	$97.25	+0.95
Aluminium (free market)	$1285	+5
Copper (US Producer)	105c	
Lead (US Producer)	34c	
Nickel (free market)	380c	+2
Tin (Kuala Lumpur market)	15.40r	-0.01
Tin (New York)	264.0c	
Zinc (US Prime Western)	82c	
Cattle (live weight)†	107.48p	-2.75*
Sheep (dead weight)†	114.36p	-11.8*
Pigs (live weight)†	77.18p	-8.22*
London daily sugar (raw)	$258.0x	+4.0
London daily sugar (white)	$308.0x	-3.0
Tate and Lyle export price	£257.5	+3.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£183.0u	
Wheat (US Dark Northern)	£100.0	
Rubber (Aug)♥	55.75p	-0.75
Rubber (Sep)♥	58.25p	-0.75
Rubber (KL RSS No 1 Jul)	233.5m	
Coconut oil (Philippines)§	$422.5q	+17.5
Palm Oil (Malaysian)§	$322.5y	+8.0
Copra (Philippines)§	$280x	
Soyabeans (US)	£188	
Cotton "A" index	83.50c	+0.10
Wooltops (64s Super)	394p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Aug	231.00	224.00	231.00 222.00
Oct	201.00	193.60	201.00 193.60
Dec	194.00	188.40	192.00 187.00
Mar	192.00	187.40	191.80 187.00
May	194.00	189.20	188.00
White	Close	Previous	High/Low
Aug	305.1	299.0	303.5 296.5
Oct	272.1	268.0	269.5 266.0
Dec	264.1		259.5
Mar	267.1	262.0	264.0 261.0

Turnover: Raw 1066 (1037) lots of 50 tonnes. White 1308 (1156) Paris- White (FFr per tonne): Aug 1643, Oct 1648.

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Aug	18.32	18.25	18.38 18.19
Sep	18.50	18.46	18.52 18.40
Oct	18.63	18.63	18.63 18.56
Dec	18.78	18.85	18.84 18.78
IPE Index	18.29	18.60	

Turnover 17328 (21965)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Jul	169.50	178.75	170.00 169.25
Aug	170.25	171.50	170.75 169.50
Sep	172.25	173.00	172.75 171.78
Oct	174.25	175.50	174.50 173.75
Nov	177.00	177.50	177.00 175.75
Dec	177.75	178.25	178.00 176.75
Jan	175.00	175.78	175.00 174.25
Feb	172.00	171.25	172.00 171.00
Mar	167.00	167.70	167.75 167.00

Turnover 17369 (15429) lots of 100 tonnes

WOOL

The wool market is closing on an uncertain note. Australian prices have slipped erratically at the latest sales, accompanying earlier softness in New Zealand and the British wool sector, both of which continue to exhibit similar uncertainty. There is no *clear indication on Australian stockpile* offerings in the earlier months of the season, and in the meantime the holiday season reached its maximum effect. There is no more than a very hesitant and patchy impression of bottoming out in a wool textile recession which has been particularly deep in the UK.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Jul	583	578	583 572
Sep	612	611	614 604
Dec	652	655	656 646
Mar	692	695	697 687
May	715	718	719 710
Jul	737	736	740 734
Sep	759	758	759 753

Turnover: 7984 (15298) lots of 10 tonnes. *ICCO indicator prices* (SDRs per tonne). Daily price for Jun 25 780.96 (780.95) 10 day average for Jun 26 786.74 (789.95)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Jul	540	546	549 539
Sep	566	575	576 565
Nov	589	597	598 588
Jan	610	617	615 608
Mar	626	634	634 632

Turnover: 7072 (10874) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jun 25 : Comp. daily 66.39 (65.68). 15 day average 65.56 (65.52)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Nov	90.0		84.0
Mar	111.5		114.0 111.0
Apr	106.0	108.9	110.5 106.5

Turnover 410 (530) lots of 40 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	136.00		136.00
Dec	139.50	140.00	139.50
Feb	142.00		142.00

Turnover 36 (70) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Jun	1707	1703	1707 1702
Jul	1613	1601	1625 1595
Oct	1665	1646	1665 1645
Jan	1666	1656	1665 1650
Apr	1610		1635 1610
BFI	1708	1706	

Turnover 249 (464)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Sep	112.80	112.80	113.00
Nov	115.78	115.70	116.00 115.78
Jan	119.60		119.70
Mar	123.10	123.10	123.10
Jun	126.00	127.90	126.00
Barley	Close	Previous	High/Low
Nov	114.75	114.65	114.75 114.70
Jan	118.20	118.10	118.20 118.00
Mar	121.10		121.10
May	122.80		122.80

Turnover: Wheat 171 (73), Barley 72 (62). Turnover lots of 100 tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jul	106.0		106.0 105.0
Sep	105.0	105.0	106.0 105.0
Oct	106.0	106.0	106.0 105.0
Nov	110.0	107.5	110.0 106.0
Jan	107.0	105.0	107.0 105.5
Feb	106.0	105.0	106.0 105.5

Turnover: 54 (65) lots of 3,250 kg

HGNS – London FOX				
	Close	Prev.	High	Low	Vol
Indx	140.51	138.89			
Jul	141.50	138.70	141.50	140.70	95
Sep	142.00	140.30	142.40	142.00	105

LONDON METAL EXCHANGE					(Prices supplied by Amalgamated Metal Trading)	
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 22,518 lots	
Cash	1290-3	1289-1	1292	1291-2		
3 months	1323-5	1322-3	1327/1316	1323-4	1324-5	98,183 lots
Copper, Grade A (£ per tonne)					Total daily turnover 19,349 lots	
Cash	1379-81	1367-9	1392/1382	1391-1.5		
3 months	1388-9	1383-4	1401/1388	1400.5-1	1390.5-1	130,951 lots
Lead (£ per tonne)					Total daily turnover 2,710 lots	
Cash	342.5-3.5	344-6	344.5/344	344-4.5		
3 months	345-6.5	347-8	349/346	347-7.5	346-7	18,641 lots
Nickel ($ per tonne)					Total daily turnover 2,562 lots	
Cash	8370-5	8325-45	8370	8369-71		
3 months	8360-70	8325-35	8375/8325	8360-70	8365-70	13,260 lots
Tin ($ per tonne)					Total daily turnover 1,372 lots	
Cash	6660-5	6670-5		5675-80		
3 months	6750-5	6760-3	5760/5735	5755-60	5750-60	7,680 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,586 lots	
Cash	1065-7	1060-2		1065-5.5		
3 months	1075-7	1084-5	1078/1062	1076-7	1074-5	27,598 lots
LME Closing £/$ rate:						
SPOT:		3 months:		6 months:		9 months:

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz) $ price		£ equivalent
Close	368.25-368.75	
Opening	365.80-366.20	
Morning fix	366.00	224.443
Afternoon fix	368.10	225.985
Day's high	367.40-367.80	
Day's low	365.50-365.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.40	6 months	5.35
2 months	5.39	12 months	5.34
3 months	5.39		

Silver fix	p/fine oz	US cts equiv
Spot	271.25	441.75
3 months	276.00	446.60
6 months	286.30	455.90
12 months	301.10	472.78

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	365.50-367.50	223.25-225.78
Maple leaf	374.50-375.00	228.25-228.75
New Sovereign	88.00-89.00	53.75-54.25

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	100	128	1	9
1300	17	58	17	38
1400	1	20	100	95
Copper (Grade A)	Calls		Puts	
2150	121	133	1	26
2250	36	72	10	64
2350	8	33	81	124
Coffee	Sep	Nov	Sep	Nov
550	26	55	18	17
600	6	28	43	40
650		14		78
Cocoa	Sep	Dec	Sep	Dec
550	69		4	
600	30	69	18	18
650	11	41	49	48
Brent Crude	Aug	Sep	Aug	Sep
1850	22	49		55
1900	9	32		95
1950	2	21		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	365.9	364.6	367.2	365.8
Jul	366.0	365.1	0	0
Aug	367.9	366.7	369.0	367.5
Oct	371.3	370.1	373.0	371.0
Dec	374.9	373.6	376.1	374.5
Feb	378.3	377.0	378.6	378.6
Apr	381.8	380.4	381.5	381.5
Jun	385.3	383.9	0	0
Aug	389.0	387.5	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	374.0	372.5	374.5	373.0
Oct	378.9	377.0	378.5	378.0
Jan	383.5	381.5	384.0	383.5
Apr	387.5	385.5	366.0	387.5
Jul	391.5	389.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	435.5	437.3	436.0	436.0
Jul	435.6	437.5	440.5	433.5
Aug	438.1	440.1	0	0
Sep	441.1	443.0	440.0	490.0
Dec	449.1	451.0	457.5	447.0
Jan	451.2	453.1	0	0
Mar	457.5	459.4	463.5	456.0
May	463.2	465.1	0	0
Jul	468.9	470.8	0	0
Sep	475.4	477.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	102.00	101.40	102.60	101.90
Jul	102.05	101.55	102.50	101.60
Aug	101.45	100.95	101.90	101.20
Sep	100.60	100.25	101.25	100.40
Oct	100.05	99.75	100.40	99.50
Nov	99.50	99.25	0	99.00
Dec	98.95	98.75	98.70	98.90
Jan	98.40	98.25	0	0
Feb	97.90	97.75	0	0
Mar	97.35	97.25	98.00	97.20

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	112.55	113.50	114.00	112.55
Sep	115.40	115.80	116.25	115.30
Nov	115.55	115.50	115.85	115.00
Jan	115.40	115.60	116.00	115.40
Mar	116.70	115.85	116.20	116.78

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Aug	20.11	20.05	20.19	20.07
Sep	20.12	20.09	20.20	20.10
Oct	20.19	20.15	20.24	20.15
Nov	20.25	20.22	20.30	20.23
Jan	20.10	20.13	20.21	20.10
Feb	20.10	20.04	20.10	20.06
Mar	20.02	19.96	20.01	20.00
Apr	19.95	19.89	19.98	19.91

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jul	5375	5365	5390	5365
Aug	5435	5422	5450	5415
Sep	5575	5568	5580	5555
Oct	5680	5663	5690	5670
Nov	5800	5773	5810	5785
Dec	5890	5855	5905	5870
Jan	5910	5890	5920	5900
Feb	5815	5780	5815	5790
Mar	5575	5545	5575	5565
Apr	5365	5350	5360	5350

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	865	900	909	865
Sep	933	945	954	929
Dec	982	993	999	981
Mar	1026	1036	1042	1026
May	1053	1066	0	0
Jul	1084	1095	0	0
Sep	1109	1120	0	0
Dec	1149	1160	0	0
Mar	1189	1200	0	0
May	1216	1227	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	86.78	86.65	87.40	86.20
Sep	88.20	88.35	88.65	87.70
Dec	91.65	91.75	91.95	91.10
Mar	94.95	95.00	94.90	94.60
May	97.40	97.50	96.85	96.85
Jul	100.50	100.00	0	0
Sep	101.00	102.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	10.40	9.98	10.52	10.10
Oct	8.81	8.58	8.87	8.78
Mar	8.78	8.46	8.71	8.48
May	8.74	8.50	8.76	8.50
Jul	8.75	8.57	8.75	8.60
Oct	8.85	8.60	8.85	8.85

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	77.60	78.10	78.40	77.50
Oct	77.33	77.57	78.10	76.81
Dec	74.36	74.42	74.88	73.75
Mar	75.10	75.45	75.65	74.80
May	75.45	76.05	75.95	75.45
Jul	75.78	76.30	76.30	75.55
Oct	70.40	70.53	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Jun 26	Jun 25	mnth ago	yr ago
	1778.5	1771.3	1714.5	1857.3
DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun 25	Jun 24	mnth ago	yr ago
Spot	129.39	129.17	128.57	131.36
Futures	125.90	125.02	127.39	131.17

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	560/4	563/0	565/2	560/0
Aug	563/0	564/2	567/4	562/4
Sep	564/6	566/4	570/4	564/2
Nov	571/2	572/6	578/0	570/4
Jan	581/0	582/6	587/6	580/4
Mar	590/4	593/4	596/0	590/0
May	600/0	602/0	600/0	600/0
Jul	606/0	608/4	612/6	606/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	19.38	19.37	19.50	19.35
Aug	19.58	19.55	19.78	19.53
Sep	19.76	19.71	19.94	19.71
Oct	19.97	19.88	20.11	19.88
Dec	20.31	20.27	20.52	20.26
Jan	20.47	20.41	20.67	20.45
Mar	20.83	20.76	21.00	20.76
May	21.10	21.01	21.25	21.10
Jul	21.30	21.20	21.50	21.30

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	171.3	171.8	172.5	171.[illegible]
Aug	171.8	172.2	173.0	171.[illegible]
Sep	171.5	172.3	173.2	171.[illegible]
Oct	171.9	172.3	173.3	171.[illegible]
Dec	172.6	173.5	175.0	172.3
Jan	174.0	174.7	176.4	174.0
Mar	175.3	176.7	176.5	175.3
May	176.5	178.0	0	0
Jul	180.0	180.0	182.0	180.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	237/2	237/4	239/6	236/6
Sep	237/2	238/6	239/6	236/6
Dec	240/0	239/2	242/6	239/0
Mar	248/0	246/6	250/0	246/6
May	253/0	252/2	256/2	252/6
Jul	257/4	256/6	259/2	256/[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	273/0	274/0	277/2	272/6
Sep	281/4	283/0	286/0	281/0
Dec	294/0	294/6	297/2	293/4
Mar	300/2	301/0	303/0	300/0
May	294/0	257/0	298/0	294/0
Jul	287/0	292/0	294/0	287/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	71.90	71.90	71.96	71.55
Oct	74.32	74.37	74.40	74.02
Dec	75.50	75.62	75.55	75.20
Feb	75.12	75.20	75.20	74.98
Apr	75.50	75.45	75.55	75.45
Jun	73.75	73.82	73.80	73.60

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jul	54.55	54.60	54.75	54.38
Aug	51.27	51.60	51.60	51.10
Oct	46.05	46.07	46.15	45.80
Dec	46.22	46.30	46.32	46.05
Feb	45.95	45.90	45.95	45.75
Apr	44.30	44.20	44.30	44.15
Jun	46.30	46.20	46.30	46.15

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	52.55	52.32	52.75	51.40
Aug	48.62	48.20	49.50	48.10
Feb	50.57	50.55	51.70	50.15
Mar	50.05	50.15	50.95	49.80
May	51.00	51.00	51.60	0
Jul	51.70	50.00	52.00	0

LONDON STOCK EXCHANGE

Charting a course to three-month low

THE CLOUDS of uncertainty overhanging the UK stock market burst yesterday, and share prices were suddenly driven down to a three-month low as the FT-SE 2,450 to 2,550 trading range, which had been held since March, finally broke down. London's fall mirrored trends in other European bourses, but traders said an added local ingredient came from investors hedging against uncertainties on the UK political front.

Investors were additionally unsettled by further problems in the Japanese securities industry and by nervousness ahead of today's meeting at the Bundesbank as higher inflation in some German regions reignited fears that interest rates there could be raised.

After opening uneasily on the back of uncertain performances overnight in Tokyo and New York, UK share prices quickly came under pressure. The FT-SE 2,450 chart line was broken before mid-morning, and one of the City's leading equity chart strategists said that the market was now vulnerable to a further severe setback – perhaps down to the FT-SE 2,300 level.

The loss on the Footsie was quickly extended to more than 20 points, as equities were undermined by selling of the September future contract on the FT-SE Index. This was seen as an indication that bearish views on the stock market were being extended in the direction of next year. There were also signs that a leading marketmaking firm was offering substantial lines of leading stocks; some sources believed that an investment trust portfolio was being "broken up". But traders at at least two leading firms believed that yesterday's setback might represent the final sell-off in a market looking for encouragement from the latest economic data from the US.

At worst the Footsie was down to 2,431.7, with Wall Street adding to the picture of woe in early trading as it opened the new session on the downside. A modest closing rally put the final reading on the FT-SE at 2,437.3, down 23.9 on the day and the lowest close since March 25.

Seaq volume increased to 500m shares from the 410.3m of the previous session. Traders said that while there was no doubt that selling pressure had increased yesterday, there was also some two-way business. Statistics from the Stock Exchange indicate that genuine retail business in equities is relatively low this week.

Most of the upset was caused by the reaction to the breakdown of the recent trading range and the bearish predictions this has prompted from chart strategists. If the Footsie falls below 2,420, then it could fall a long way before finding a new support level, according to some of them.

Yesterday's setback ranged broadly across the market. ICI continued to fall as the market awaited developments regarding the stake taken by Hanson, and there were losses among pharmaceutical issues which have been active over the past two weeks.

Confirmation that beer production has fallen brought further losses for the leading brewery issues, while the building and construction sector was unsettled by renewed selling of Beazer, which seeks support from its bankers for a substantial debt rescheduling.

Yesterday's sell-off caught market specialists somewhat by surprise. Nervousness over this week's developments in Tokyo, which prompted fears that Japanese institutions might sell equities on world markets, has been the new and disturbing factor in the UK market this week.

Account Dealing Dates

*First Dealings:	June 17	Jul 1	Jul 15
Option Declarations:	Jun 27	Jul 11	Jul 25
Last Dealings:	Jun 28	Jun 12	Jul 26
Account Day:	Jul 8	Jul 22	Aug 5

*New-time dealings may take place from 8.30 am two business days earlier.

Bass leads brewers lower

BASS led the large brewers lower amid further concern about the state of the domestic beer market and renewed anxiety over how a strong dollar would affect US hotels – Bass owns Holiday Inns. The shares slipped 23 to 909p, making a fall of 62 in less than a week.

Yesterday saw the publication of April beer production figures for the UK. They showed a 2.9 per cent fall on April 1990. Earlier this week analysts warned that bad weather and recession could mean May's beer consumption – a figure which, unlike production, is not released by the brewing industry – could be more than 10 per cent below the previous year's level. June is also looking like a dismal month for beer sales.

Mr Andrew Buchanan at Hoare Govett added that some Bass watchers in the market were anxious over occupancy rates in US hotels, although he thought the fears were overdone.

Also under pressure was Grand Metropolitan, 14 lower at 730p amid US selling.

Fisons hit

Profit-takers moved in quickly and in force on Fisons as analysts warned of downgradings to come. Researchers at Hoare Govett and UBS Phillips & Drew have both had talks with the company this week and, while maintaining their own estimates of Fisons' full year profits at £270m and £260m respectively, they said yesterday that some other securities houses might lower their numbers.

Mr James Culverwell at Hoare said Fisons offered "excellent long-term value", while UBS denied reports that it had downgraded the stock. Several traders and analysts pointed out that Fisons has hit three new highs already this month, a factor which might have encouraged some investors to lock in profits.

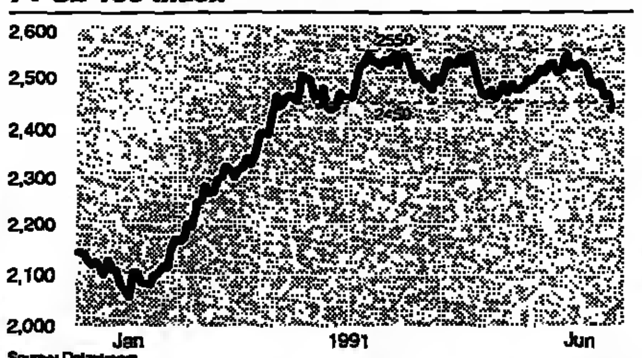
Fisons fell 16 to 488p as 3.6m shares changed hands, the heaviest day's trading in the stock for more than two months.

Wates active

Wates City of London Properties dipped 6 to 118p on speculation that a large institutional investor had sold its holding. A block of 6.3m shares was recorded on the Seaq ticker as having changed hands at 117p, which would represent just over 5 per cent of the company's equity.

The suggestion was that Friends' Provident had disposed of its 5.08 per cent holding through Cazenove, the broker. Property specialists believed that the bulk of the stock went toinstitutions. Analysts said the weakness of the City of London property market might have prompted the share sale.

FT-SE 100 Index



Source: Datastream

The market's fall yesterday took the FT-SE 100 Index out of the 2,450 to 2,550 range in which it had been confined for nearly three months. The change prompted chart specialists to warn that further sharp weakness was a possibility. Mr Richard Lake at Hoare Govett said he was "inclined to think that the Footsie will break down to 2,300", while Mr Robin Aspinall at Schroders suggested that "the first major target will be established at 2,280".

Amstrad slides

News that Amstrad is to write down £20m of profits sent the shares 11 lower to 54p, their lowest level since last October. Turnover was an exceptionally high 6.9m.

The write down stems from difficulties with the company's PC2000, a computer that was expected to take Amstrad out of the home PC market and into the workplace, where sales margins are much higher. The machine has had hard-disk problems, and Amstrad has been left with much of the stock on its hands.

Several institutional houses have sharply cut their forecasts for the year ending this week, and for next year. Mr Mark Lambert of County NatWest reduced his figure for this year by £23m to £15m and his 1992 estimate by £15m to £40m. He argued that the potential for recovery before Christmas was receding, and the problems with PC2000 could mark the failure of Amstrad's involvement with high-margin products.

S.G. Warburg is slightly more optimistic, looking for £17m this year against a previous estimate of £37m, and for £45m next year against its previous figure of £48m.

Bid for Etam

Etam, the fashion retailer, edged higher as Oceana, controlled by the Lewis family of South Africa, announced late in the session that it was making a hostile 185p cash offer.

Oceana, through London broker Panmure Gordon has increased its stake over the last month to 27.89 per cent from 18.5 per cent. After the market closed, Etam said it had rejected Oceana's bid. Etam closed 2½ higher at 183½p as Oceana topped up its holding yesterday.

Rothmans rose 9 to a 1991 high of 935p in above average volume and ahead of final results due today.

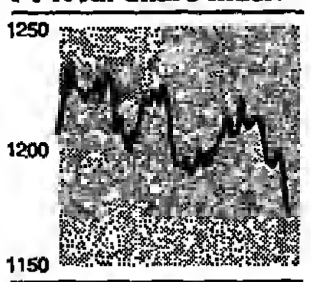
Investors supported Hanson just above a four-month low. The decline yesterday was restricted to just a penny at 201p in busy turnover of 15m.

Lasmo gained 4 to 340p on expectations of good North Sea drilling results shortly. Calor, which responds well to cool weather, was 7 up at 221p.

There were few significant exceptions to the continuing downward trend among privatised electricity companies. Norweb stood out with a rise of 6 to 192p as it published its first full year figures since privatisation and accompanied them with a confident statement. "Good profits and more to come," commented one marketmaker.

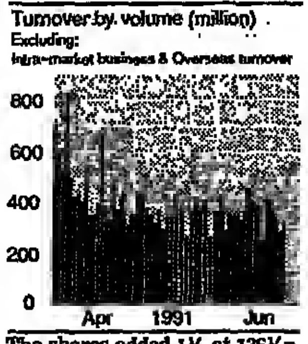
Further consideration of Tuesday's figures from National Power made the stock one of only nine in the FT-SE 100 to show a gain on the day.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



The shares added 1¼ at 136¾p. Submarine maker VSEL appreciated 13 to 422p on order expectations and Vickers was firm at 197p following a presentation to fund managers by the company.

The sale of a block of 1.3m shares at 126½p in British Steel early in the session left the stock 3 down at 125½p by the close.

Analysts were enthusiastic about Siebe after a visit to Foxboro, its US subsidiary, and the engineering company closed up 9 at 448p after being 16 ahead at one stage.

Hawker Siddeley lost its bounce of the previous day as Smith New Court made a placing on behalf of three sellers. It fell 16 to 553p.

Construction and aggregates group Beazer plummeted 27½ to 89p on a turnover of 6.1m as the impact of the previous day's profits warning filtered through. It had announced it intended to float up to 100 per cent of its European businesses, mostly the UK based housebuilding and contracting operations, as it needed the money to cut borrowings.

Other builders suffered as fears of reduced dividends grew. Mowlem was off 23 at 265p and Barratt lost 12 to 82p. Fears that Germany would raise interest rates depressed RMC (off 11 at 629p) and Redland (down 7 at 551p).

Northern Foods receded 7 to 452p as investors switched into Unigate, up 5 at 290p. Tate & Lyle shed 2 to 375p but was underpinned as two major institutions accepted its offer for their holdings in Bundaberg, the Australian sugar company. Tate now holds around 80 per cent of Bundaberg.

Ranks Hovis McDougall put on 3 to 272p on US buying and after a recommendation from at least one UK broker.

Hammerson "A" shares dropped 17 to 587p as investors sold shares ahead of their imminent departure from the FT-SE 100 list.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 28.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (38). [illegible] Prop., TOBACCOS (1) Rothmans Intl. B, MINES (5) Falcon, Gold Fields S. A., Julia, Lydenburg, West Rand.

NEW LOWS (88). BRITISH FUNDS (2) Conv. 10pc '96 B, Treas. 9pc 2008 C, BANKS (3) FNFC 5.3pc Pf., Guinness Mahon, Union Discount, BUILDINGS (2) Great Nicholson, Phoenix Timber, STORES (3) Burton, Gent (SR), Sears, ELECTRICALS (8) Amstrad, INSTEM, Pelon, Scantronic, Standard Platform, TGI, ENGINEERING (4) Bailey (CH), Brooks Tool, Dickie (James), Tex, FOODS (1) Ashley, INDUSTRIALS (16) Alexandra Workwear, [illegible] & Vine, TV-am, Whitegate Leisure, Do. Warrants, MOTORS (2) Caffyns, Pinder, PAPERS (1) Colatex & Fowler, PROPERTY (11) Bredero, Daras Ests., Graycoat, Gt. Portland, Do. 9½pc 2002, Land Securities, Do. 9pc Pf., MEPC, Merivale Moore, Scot. Metropolitan, Wates City of London, SHOES (1) Stylo, TRANSPORT (1) P & O Sub. Warrants 1988-92, TRUSTS (5) Aberforth Split Level Cap., Contra-Cyclical Zero Div Pf., Drayton Cons., Murray Ventures, River & Merc. Gnd. Inc., OILS (1) Cairn Energy, PLANTATIONS (1) Anglo-East Plants., MINES (2) Ennex Intl., Monarch Res.

FINANCIAL TIMES STOCK INDICES

	June 26	June 25	June 24	June 21	June 20	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	83.45	83.54	83.66	83.79	83.51	80.02	85.68 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.80	92.82	92.82	92.66	92.86	86.42	94.84 (5/4)	90.50 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1901.6	1921.6	1921.1	1947.3	1943.7	1902.6	2014.5 (5/4)	1608.3 (16/1)	[illegible]	49.4 (26/6/40)
Gold Mines	198.2	195.6	200.7	203.9	207.0	174.5	209.1 (11/6)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2437.3	2461.2	2458.3	2487.6	2479.9	2373.5	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1142.01	1155.85	1155.32	1169.68	1162.33	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
■ Ord. Div. Yield	4.96	4.93	4.94	4.86	4.88	4.87				
● Earning Yld % (full)	8.76	8.67	8.70	8.59	8.61	10.78				
● P/E Ratio (net) (*)	14.04	14.16	14.14	14.32	14.29	11.27				
SEAQ Bargains 4.45pm	26,190	25,107	22,421	23,004	24,344	22,444				
Equity Turnover (£m)†	-	703.90	593.21	726.45	605.36	734.85				
Equity Bargains†	-	23,766	22,489	22,941	24,356	21,276				
Shares Traded (mil)†	-	325.5	287.2	340.5	354.3	327.6				

Ordinary Share Index, Hourly changes — Day's High 1920.3 — Day's Low 1898.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1920.3	1915.7	1913.7	1908.2	1907.2	1908.7	1899.8	1899.3	1900.1

FT-SE 100, Hourly changes — Day's High 2459.3 — Day's Low 2431.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2459.3	2453.5	2450.1	2442.3	2443.3	2443.5	2436.4	2438.0	2438.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1153.74 — Day's Low 1141.51

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1153.46	1152.79	1149.85	1148.59	1147.59	1145.09	1144.78

GILT EDGED ACTIVITY

Indices	June 25	June 24
Gilt Edged Bargains	79.1	80.7
5-Day average	84.9	90.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	528	278	-5	IMI	762	229	-3	Rentokil	112	321	-4	United Biscuits	820	382	-3
BP	3,700	328	-4	ICI	1,300	1240	-16	Reuters	621	773	-12	Utd. Newspapers	812	341	-8
British Steel	9,100	125½	-3	Inchcape	395	331	-5	Rolls Royce	4,400	188	-4	Water Package Uts.	1	12710	-8
British Telecom	7,000	340	-4	Kingfisher	3,200	472	-14	Rothmans	452	935	+9	Wellcome	846	865	-5
Bunzl	518	85	-2	Ladbroke	1,900	250	-1	Ryl Bk Scotland	862	178		Welsh Water	146	295	+1
Burmah Castrol	430	538	-4	Land Securities	605	465	-6	Royal Insurance	948	430	-6	Wessex Water	14	295	-1
Burton	4,400	50	-4	Laporte	17	549	.	Saatchi	1,995	17¼	-¼	Whitbread 'A'	558	402	-6
Cable & Wire.	3,900	520	-5	Legal & General	654	414	-6	Sainsbury	757	344	-3	Williams Hldgs.	692	259	-9
Cadburys	2,300	341	-9	Lloyds Abbey	674	380	-1	Scottish & New.	536	373	-1	Willis Corroon	880	296	+3
Calor Group	998	221	+7	Lloyds Bank	971	325	-6	Scot. Hydro-Elect.	8,500	110½	-3	Wimpey	686	173	-5
Carlton Comms.	371	465	-1	LASMO	1,800	340	+4	Scottish Power	10,000	104	-1½	Yorkshire Elect.	127	204¼	-1¼
Coats Viyella	5,500	145	-3	London Elect.	74	181½	-1½	Sears	1,000	74½	-½	Yorkshire Water	164	290	+2
Comm. Union	1,000	481	-11	Lonrho	1,400	240	-5	Sedgwick	1,000	282	-8				
Cookson	2,300	100	-3	Lucas	1,100	142	-3	Seeboard	215	185	-1				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE DERIVATIVES markets were gripped by an increasingly bearish mood yesterday as operators worried that with tha stock market breaking down through the trading range of the last three months it may face further declines.

Trends in overseas markets have played a significant role in creating this depressed outlook. Talk of further sharp declines in Japanese shares and worries that the Bundesbank may raise German interest rates were chief concerns.

The other negative feature has been the move by the London market out of the range established since April. Some technical analysts believe the FT-SE index could lose a further 100 points in the coming week.

In the futures market, the June FT-SE 100 index contract spent much of the session below the FT-SE index, indicating its unease about the immediate outlook for UK shares.

The expiry of the June FT-SE contract tomorrow has also created uncertainty and there were suggestions of some sharp moves before then.

Attention has also turned to the September FT-SE contract as its premium to the FT-SE index narrowed to around 30 points from 40.

In the traded options market, dealing in stock options was boosted by expiry of June stocks.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100½	94½	Treas 10pc 2003	95¾	-⅛	10.43	10.58
108¼	102	Treas. 11½pc 2001-04	103½	-⅛	11.06	10.80
58¾	53½	Funding 3½pc '99-04	56¾	-⅛	6.21	9.34
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Five to Fifteen Years

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, ie 8 months prior to issue. RPI for October 1990: 130.3 and for May 1991: 133.5.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
102	95¾	African Dv Bk 11¼pc Ln 2010	97¾	-⅛	11.37	11.40
97½	91¾	Asian Dev Bk 10¼pc Ln 2009	94	-⅛	10.90	11.01
112½	105½	Int-Am Dev Bk 12½pc 2003	108	.....	11.57	11.24
[illegible]						

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Finance post at TSB

■ TSB GROUP has appointed Mr Robert Carefull as deputy finance director from September 1, succeeding Mr Fred Randall who has become finance director at Hill Samuel. Mr Carefull is finance director of Brown Shipley Group. He was appointed chairman of Trace Computers when it went public in June 1989 and will retain this post.

■ Mr David Wilkins has been appointed to the new post of chief operating officer for MIDLAND MONTAGU treasury sales from July 1. He was deputy head of Midland Montagu audit.

■ Dr George Christie has been appointed director of UPJOHN LABORATORIES - Europe, a new post. He was managing director of Life Sciences Projects before joining Upjohn last April.

■ Mr John Hunter has been appointed partner-in-charge of COOPERS & LYBRAND's Czechoslovakian firm, based in Prague and Bratislava. He moves from Coopers & Lybrand Deloitte, Cambridge.

■ THE MDA GROUP, Croydon, has formed MDA Construction Management. The project directors, drawn from all the group's construction-related companies, are: Mr John A. Collinge, Mr Stephen J.O. Godfrey, Mr Richard C. Houghton, Mr Nigel P. Murphy, and Mr Anthony J. Nutt.

Mr William Maclean (*pictured*) has been appointed managing director of WALKER EUROPE, a Tenneco company. He was managing director, Monroe Australia, and succeeds Mr Bernard G. von Gries who becomes senior vice president and general manager of Tenneco automotive brake division, Illinois.

■ R. MEARS & CO, insurance brokers, has appointed Mr Peter N. Gallifant to the board.

■ PROVIDENCE CAPITOL, Basingstoke, has appointed Mr Stephen Shergold as existing business divisional manager, client services. He was with Target Life Assurance Co.

■ SINGER & FRIEDLANDER has appointed Mr Harold Hutchinson to head its Spanish securities division from September 2. He joins from Carnegie International where he was head of research.

■ IN SHOPS has appointed Mr David Tucker as a non-executive director from July 2. He is chairman of the BeWise retail group, incorporating BeWise, House of Holland, and Stationery Express.

■ LINREAD has appointed Mr Pieter A. Hazenberg as group finance director. He was group finance director of Jordan-Gahan Group where he will continue as a non-executive director. Mr Orrie Mead has resigned as group finance director and from the board to concentrate on his new post as managing director of the commercial products division. Mr Phil Baron has been promoted from group accountant to company secretary, succeeding Mr Ken Morris who has retired.

■ Mr Angus Breton has been appointed group secretary and solicitor of LILLESHALL, Newbury, from July 1. He joins from Allen & Overy, and succeeds Mr J.S. Moorhouse who is taking a post outside the group.

■ NOBLE LOWNDES has appointed Mr Reinet Quinn as Glasgow regional director succeeding Mr George Marshall who moves to Edinburgh as director of a new East of Scotland operation.

■ ST PAUL (UK), part of The St Paul Companies Inc, Minnesota, has appointed Mr Michael Wacek as general manager reinsurance. Mr Graham Bignell becomes deputy general manager, reinsurance, US, and Mr Martin Hudson becomes development manager, commercial lines.

Mr David Smith (*pictured*) has joined the UNILEVER IT group to head a team responsible for identifying world-class innovative uses of information technology. He was responsible for the IT executive education business at Nolan Norton, IT strategy arm of KPMG Consulting. Previously he was responsible for systems development with Shell Oil and Shell Chemicals.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
31⅞	20⅞	Abbott Laboratories‡	51½	+¼	$1.00	–	1.9
385p	257p	♦Allegheny & W 1c	386p	......	30c	–	5.8
10¼	667p	Amdahl 5c	985pxd	+9	10c	–	0.7
41	25⅛	Amer. Cyanamid $5	39⅜	+¼	$1 50	–	2.3
17⅞	9⅞	Amer. Express 60c	14½xd	+¼	92c	–	3.7
23⅞	15¼	American T. & T. $1	25¼xd	+⅛	31.32	–	3.4
38⅝	31½	Ameritech $1	34½	+⅛	$3 40	–	5.8
24	12⅞	BankAmerica $1⅞	22xd	–⅜	$1.20	–	3.2
34⅛	20⅛	Bankers N Y. $1	31⅛xd	–⅜	$1.52	–	9.3
29⅝	24⅞	Bell Atlantic $1	28½xd	+⅛	$2.36	–	4.9
31¼	25	BellSouth Corp	28⅝	+⅛	$2.68	–	5.5
11¼	6⅞	♦Bethlehem Steel $8	10⅛xd	–⅛	40c	–	2.3
1839p	1046p	Bowater Inc.	1717p	–30	$1.20	–	4.1
9½	4½	Brunswick 75c	8⅛xd	–⅛	44c	–	3.1
54	37⅞	CPC Intnl. 25c	52⅛xd	–⅛	$2.00	–	2.3
852p	420p	California Engy	706p	–2	–	–	–
50	28¼	Campbell Soup 15c	45⅛xd	......	$1.16	–	1.5
12⅝	5⅞	Chase Manhattan $12½	11⅛xd	–⅛	$1.20	–	6.4
8⅞	5½	Chrysler $6¼	8⅝xd	+⅛	60c	–	4.1
10⅝	5⅞	Citicorp $1	9⅝xd	–⅛	$1.00	–	6.3
25	21⅞	Colgate-Palmolive $1	25⅜xd	+⅛	$1.06	–	2.7
845p	438p	Cont'l Bank Corp $4	728p	–53	$1.00	–	8.1
21⅝	13⅞	Dana Corp. $1	20⅞xd	+⅛	$1.60	–	4.7
1056p	203p	Data General	847p	+8	–	–	–
22	12⅞	Dial Crop. $1.5	21⅛xd	–⅛	$1 40	–	3.9
29⅝	20⅞	Dun & Bradstreet $1	29	......	$2.16	–	4 4
39	24¼	Eaton Corpn. 50c	37½	+⅛	$2.20	–	–
8¼	5½	Echlin Inc.	8⅛xd	+⅛	70c	–	5.1
18⅞	14⅞	FPL Group 1c	18⅛xd	+⅛	$2.40	–	7.6
29⅝	17⅞	Fluor Corp 62½pc	27⅞xd	–⅛	32c	–	0.7
23¼	13⅝	Ford Motor $1	22⅞xd	......	$1.60	–	2.6
46½	28⅞	Gen. Elect. 63c	45⅛xd	–⅛	$2.04	–	2.7
566p	270p	♦General Host Corp $1	475p	–8	34c	–	4.2
45¼	20⅞	Gillette $1	21½xd	–½	62c	–	1.7
91p	31p	Gt American Bank $1	31p	......	–	–	–
10¼	794p	Hasbro Inc 50c	17	......	24c	–	0.8
37⅞	21¼	Honeywell $1½	37⅛xd	+⅛	$1.50	–	2.4
22⅝	17⅞	Houston Inds.‡	22	......	$2.96	–	7.9
72⅞	55⅞	IBM Corpn $1¼	60⅞xd	+½	$4.84	–	4.7
32½	10⅞	Ingersoll-Rand $2	31⅛xd	–½	$1.32	–	2.5
27⅞	16⅝	Lockheed Crpn. $1	26½xd	–⅛	$1.80	–	4.0
2155p	1245p	Lowe's 50c	1954p	......	56c	–	1.7
16⅝	9½	Manuf Hanover $1	12⅞xd	–1½	$3.28	–	15.0
24½	10⅞	Merrill Lynch $1	23⅞xd	+⅛	$1.00	–	2.5
33⅝	21⅞	Morgan (JP) $2½	31⅞xd	–⅛	$1.98	–	3.7
41	25⅞	Morris (Ph)(1p)	38⅛xd	–⅛	$1.72	–	2.6
43⅞	39	NYNEX $1	42½	+⅛	$4.56	–	6.3
89p	31p	♦Pac Agricultural	34½p	......	–	–	–
22⅝	11⅞	Pall Corp. 25c	21⅛	–⅛	b44c	–	1.2
45⅞	33¼	Pennzoil 83 1/3c	44¼xd	–½	$3.00	–	4.0
38½	24⅞	Quaker Oats $5	37⅞xd	–⅛	$1.56	–	2.4
37⅞	24⅞	Rep NY Corpn $5	37⅞xd	–⅛	$1.40	–	2.2
16⅝	12¼	Rockwell Intl. $1	16⅝xd	+⅛	86c	–	3.2
25⅛	12⅞	Sears, Roebuck 75c	23⅛xd	–⅛	$2.00	–	5.1
32	25⅝	Southwestern Bell $1	31½xd	+⅛	$2.84	–	5.3
20¼	14⅞	Sun Co. Inc. $1	17⅞xd	–⅛	$1.80	–	5.9
27⅛	21⅛	Tenneco $5	24⅞	+⅛	$3.20	–	7.2
40½	29⅛	Texaco $6.25	36⅝xd	–½	$3.20	–	5.2
26⅛	17⅝	Texas Instr. $1	20⅝xd	......	72c	–	2.1
71½	41⅞	Time Warner $1	54⅝xd	–¼	$1.00	–	1.1
16½	0⅞	TRINOVA Corp	15½xd	......	68c	–	2.6
19⅞	14⅞	USX $1	19⅞xd	......	$1.40	–	4.3
417p	250p	♦Unilab	417p	......	–	–	–
28½	22⅛	Utd. Technologies	27⅛	–⅛	$1.80	–	3.9
74p	42p	♦Utilitech Inc	74p	......	–	–	–
23	18¼	US West‡	21⅛	+⅛	$2.08	–	5.8
24⅞	16⅝	Waste Management $1	23xd	+⅛	44c	–	1.1
2054p	1053p	Whirlpool $1	1985p	+1	$1.10	–	3 3
20⅞	13½	♦Woolworth $3½	19	......	$1.08	–	3.4

CANADIANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
102½p	81½p	♦Abbot Energy Corp	102½p	......	–	–	–
1357p	953p	♦Amer. Barrick Res	1300p	......	8c	–	0.3
19½	13	Bk. Montreal ‡	10⅞	–⅛	$2.12	–	6.2
957p	536p	Bk. Nova Scot.‡	906pxd	–13	$1.00	–	5.9
815p	639p	♦BC Gas $1	805p	–6	60c	–	4.0
23¼	17⅞	BCE ‡	22½	+⅛	$2.56	–	6.1
10½	647p	♦Brascan‡	10	......	$1.04	–	5.6
36p	19½p	♦Breakwater Res	23¼p	–1	10c	–	21.3
1717p	1180p	Can. Imp Bank‡	1610p	+7	$1.32	–	0.0
11	855p	Can. Pacific ‡	10⅞	......	64c	–	3.4
36	30	Do. 4pc Deb £100	34	......	Q4%	–	14.4
335p	170p	♦Central Cap 'A' ‡	223p	–40	60c	–	14.5

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

For Scot. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

For Trusthouse Forte see Forte

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ⊕ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ◊ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- ■ Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1		455	----
Finlay Pkg. 5p		27	----
Holt (Jos) 25p		1823	----

IRISH

Cap. 8½% Ln. 1992	£99¾	----
9pc Cap Ln. 1996	£90	----
Fin. 13% 97/02	£114¼	----
Arnotts	155	----
Helton Hldgs.	40	----
IRG	128½	----
United Drug	170	----

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	33
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	18
Hawker Sidd	39
ICI	88
Ladbroke	22
Legal & Gen	34
Lex Service	20
Lloyds Bank	38
Lucas Inds	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	53
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl.	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	11
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	18
Unilever	60
Vickers	14
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils

Aviva Petlm.	3
Brit. Petroleum	28
Burmah Castrol	49
Conroy Petlm.	18
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
90 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.59	48.59	51.96	-0.28	6.68
Gilts & Fixed Int	6	110.0	110.0xd	116.7	-0.1	9.85
High Inc Equity	6	132.1	135.8	144.4	-0.5	5.89
Worldwide Bond	6	209.3	209.3xd	221.8	+0.1	6.76
Capital Growth						
American Growth	6	197.0	197.0	210.6	-1.1	1.04
Asian Pacific	6	134.6	137.5	146.0	+1.7	1.08
Assets & Earnings	6	169.6	173.4xd	184.4	-0.9	3.15
Capital Reserve Acc	0	105.0	105.0	105.1	.....	7.22
Capital Reserve Inc	0	83.05	83.05	83.11	-0.05	7.22
Commodity & Energy	6	78.37	78.37	83.81	-0.24	1.78
1992 Enterprise	6	62.35	63.91	67.98	-0.10	2.84
Euro Capital Acc	6	89.56	89.36	93.70	-0.14	1.41
Euro Capital Inc	6	85.56	85.56	91.50	-0.14	1.42
General	6	164.7	164.7	170.1	-0.6	2.84
Japan	6	100.1	100.1	107.0	-0.2	–
Mastertrust	6	89.58	89.58	93.80	-0.13	2.13
UK Growth Acc	6	134.6	134.6	165.3	-0.5	2.74
UK Growth Dist	6	99.35	99.35	106.2	-0.3	2.76
US Emerging Cos	6	65.24	65.24	69.77	-0.61	–
Income & Growth	6	289.8	289.8xd	309.9	-1.9	4.52
Ethical	6	48.15	48.15xd	51.49	-0.19	3.28
International	6	62.76	63.61	67.66	+0.07	1.30
Dividend & Growth	6	47.92	40.13	52.26	-0.26	5.74
Global Gwth & Sec	6	51.03	51.32	54.59	+0.01	1.83

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

UK Small Cos	0	967.0	967.0	1030.0	.....	–

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ▼	5	300.6	300.6	320.5	+1.3	1.34
(Accum Units) ▼	5	351.7	351.7	375.3	+1.5	1.34
British	5	779.1	779.1	824.2	-1.8	6.02
(Accum Units)	5	1247.5	1247.5	1319.3	-2.9	6.02
European	5	320.4	320.4	351.3	+0.2	1.51
(Accum Units)	5	352.0	352.0	376.5	+0.2	1.51
Japan	5	124.2	124.2	132.0	+0.7	-
(Accum Units)	5	125.1	125.1	133.0	+0.7	-
New Pacific	5	173.4	173.4	184.3	+0.5	1.96
(Accum Units)	5	177.5	177.5	188.7	+0.5	1.96
PEP June 26 ◆	5	130.3	132.7	140.5	-1.8	3.59
Mngd Equity	2	120.8	122.5	129.7	-0.4	3.58
Mngd Equity Acc	5	125.0	126.7	134.2	-0.4	3.58
Mngd Cash	5	97.36	97.36	102.2	+0.1	11.38
(Accum Units)	5	112.8	112.8	118.4	+0.1	11.38
Mngd Fund Int Acc June 26	5	120.3	120.5	127.5	+1.1	6.36
Majority Stlg	1	101.30	101.30	102.31	+0.03	10.97
Majority Stlg Acc	1	104.15	104.15	105.17	+0.03	10.97
Sterdard Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International June 14	0	51.62	51.62	51.99	...	3.42
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	589.5	589.2	624.1	-3.4	3.53
North America	6	79.23	79.23	84.74	-0.2	1.06
Far East	6	98.08	98.08	104.9	+0.2	0.94
W'wide Bond	6	47.49	47.49	50.52	+0.23	6.92
W'wide Fixed Gwth	6	36.23	36.23	38.39	+0.01	9.20
W'wide Tech Gwth	6	43.37	43.37	45.96	+0.01	0.20
European	6	67.27	67.27	71.95	-0.16	1.46
Equity Income	6	67.71	67.71	72.42	-0.09	5.21
Portfolio	6	58.14	58.14	62.18	-0.17	2.40
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingstoke, Hants 0800 525725						
American Growth	6	26.10	26.10	27.92	-0.18	0.40
Managed Assets	6	101.38	102.09	109.19	-0.45	4.00

	Bid Price	Offer Price	+ or -	Yield Grs
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American June 26	158.7	163.1	-7.9	1.53
Managed June 26	142.7	148.0	-2.3	3.89
Japan June 27	120.4	123.7	-0.4	0.08
Sm Jap Cos June 21	605.1	621.7	-9.8	0.10
Fidelity Investment Services Ltd				
Mngd Pens P'folio	126.0	132.31	-0.20	3.74
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£477.47	484.51	+2.37	1.56
Gen Exempt	£128.84	131.74	+0.4	3.93
Jap Exempt	£492.19	502.94	+6.81	0.78
Pacific Exempt	£102.50	104.64	+0.2	3.10
Contl Euro Exempt	£97.81	99.753	+0.08	2.22
Indexed Exempt June 20	£125.72	128.86	...	3.03
Amer Indxd Expt June 20	£106.52	107.58	...	2.85
Japan Indxd Expt June 20	£66.00	67.34	...	0.63
Euro Indxd Expt June 20	£98.57	100.55	...	2.80
P'cer Indxd Expt June 20	£101.44	103.60	...	2.22
Funds in Court*				
Capital June 19	497.29	500.94	...	2.65
Gross June 19	176.93	177.49	...	10.96
High Yield June 19	290.70	293.12	...	7.03
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	51.72	52.79	-0.32	3.43
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1234.0	1331.0	...	-
Mngd Pens (Acc)	67.5	72.0	...	-
Lazard Brothers & Co. Ltd				
Property Jan 3	£2360.0	2675.0	...	6.00
Inc Gth Fre Apr 16	£1395.0	1460.9	...	7.20

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4LJ 071-430 2348				
Life Managed Fd	104.9	110.4	-0.3	-
Pension Managed Fd	101.6	106.9	-0.6	-
Life Deposit Fd	107.6	113.3	.....	-
Pension Deposit Fd	112.9	118.0	-0.1	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395339				
Life Funds				
Managed Cautionary	107	112.7	-0.6	-
Managed Growth	135.2	142.4	-0.1	-
Managed Opportunity	137.8	145.1	-0.5	-
NFMC Target Financial	100.4	105.7	-0.3	-
Pension Funds				
Managed Cautionary	117.2	123.4	-0.3	-
Managed Growth	143.2	150.8	-0.5	-
Managed Opportunity	138.1	145.4	-0.5	-
NFMC Target Mngd Pen	1506.6	1585.9	-5	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	160.6	169.1	-2.5	-
UK Equity	165.3	174.1	-3.2	-
Overseas Equity	140.6	148.0	-2.6	-
Fixed Interest	141.8	149.5	-0.1	-
Property	127.9	134.7	-0.4	-
Index Linked	146.5	154.3	-0.4	-
Deposit	157.5	165.8	+0.4	-
With Profits (B)	129.2	136.0	+0.2	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	346.1	364.4	-1.8	-
UK Equity	429.5	451.9	-3.4	-
Overseas Eq	347.0	366.2	-1.7	-
Americas	284.1	299.1	-1.5	-
Far East	380.0	400.0	-0.6	-
Property	190.7	200.8	-0.1	-
Fixed Int	257.2	270.8	.....	-
Indexed Gilt	153.9	162.0	-0.1	-
Deposit	182.4	192.0	+0.1	-
Pension Fund (Accum Units)				
Managed	492.5	518.5	-1.8	-
UK Equity	571.9	602.1	-4.0	-
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690595				
Initial Equity	148.0	156.5	-0.1	-
Accum Equity	212.5	224.0	-1.0	-
Accum Managed	222.5	235.0	-0.5	-
Accum Five Star	170.5	179.5	-1.0	-
Accum World	123.5	130.5	-0.5	-
Accum Lifetime	100.0	106.0	-0.2	-
Pens Acc Equity	228.0	240.5	-1.5	-
Pens Acc Managed	277.5	293.0	-0.1	-
Pens Acc Intl	214.0	225.5	.....	-
Pens Acc Deposit	199.5	211.0	+0.5	-
Pens Acc Five Star	187.0	197.5	-1.0	-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	219.6	231.7	-1.9	-
UK Fixed Int Acc	171.7	181.2	-0.6	-
Intl Equities Acc	179.2	189.1	-1.0	-
UK Managed Acc	171.5	180.6	-1.1	-
Property Acc	224.2	236.5	.....	-
Money Acc	129.5	136.7	+0.1	-
Special Market Acc	141.1	148.9	+0.9	-
Japan Equity Acc	106.8	112.7	-0.7	-
North American Acc	108.8	114.8	-0.4	-
Pacific Acc	97.7	103.1	-0.1	-
Technology Acc	124.8	131.7	+1.5	-
Nat. Resources Acc	61.8	65.2	+0.5	-
European Acc	102.2	107.9	-0.3	-
Residential Prop Acc	96.2	101.5	.....	-
Swiss Equities Acc	35.3	37.3	+0.1	-
Hong Kong Acc	66.6	70.3	+0.5	-
UK High Int. Eq Acc	71.5	75.5	-0.6	-
Int Fixed Interest Acc	57.8	60.2	-0.1	-
Int. Managed Acc	57.1	60.2	-0.2	-
KIP Managed Acc	116.9	123.3	-0.4	-
HIP Managed II Acc	99.3	104.7	-0.2	-
HIP Managed III Acc	105.8	111.6	-0.1	-
Total Investment Bond				
UK Equity Initial		149.5	-1.3	-
UK Fixed Int Initial		117.1	-0.4	-
Intl Equities Initial		121.3	-0.7	-
UK Managed Initial		116.8	-0.7	-
Property Initial		154.0	.....	-
Money Initial		88.8	+0.1	-
Special Market Initial		104.7	-0.6	-
Japan Equity Initial		83.0	-0.6	-
North American Initial		84.6	-0.3	-
Pacific Initial		76.0	.....	-
Technology Initial		97.8	+1.1	-
Nat Resources Initial		48.8	+0.2	-
European Initial		91.8	-0.3	-
Residential Prop Init		92.0	.....	-

	Bid Price	Offer Price	+ or -	Yield Gross
ECU Futures Plc				
ECU Guess Funds		146.0	+1.0	-
ECU Reyes		121.0	+2.0	-
Edinburgh Money Management Ltd				
41a Charlotte Square, Edinburgh EH2 4HQ 031-220 1244				
Select Portfolio	128.6	30.21	.....	-
Fairmount Financial Services Ltd				
Fairmount Hse, Bull Hill, Leatherhead 0372 370000				
Secure		105.7	.....	-
Growth		104.0	.....	-
Gartmore Fund Managers Ltd				

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Short Term Shares	$785.01		—	–
Fixed Income Shares	$887.12		—	–

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (a)

29 Kildare Street, Dublin 010 353 1760 630

MI Global Asset Mangmt Co Ltd "MI Trusts"

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

John Govett – Contd.

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1800)F

PO Box 63, Bond Street, St Helier, Jersey 0534 76029

INVESCO MIM International (Jersey) Ltd

PO Box 271, St Helier, Jersey 0534 73114

Lloyds Bank (CI) U/T Mgrs.

PO Box 195, St Helier, Jersey 0534 27561

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

JERSEY (REGULATED)(**)

Sceptre Worldwide Selection Fd Ltd

Schroder Kansas-Gan Mangmt Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Nervous ahead of meeting

NERVOUSNESS ABOUT a possible rise in official German interest rates at today's meeting of the Bundesbank council, and the comment from Mr Nicholas Brady, US Treasury secretary, that the US economic climate remains uncertain, contributed to a weakening of the dollar yesterday.

The balance of opinion in the market is that the Bundesbank is unlikely to raise rates so soon after last weekend's Group of Seven meeting in London, but the D-Mark was generally firm ahead of the council meeting in Berlin.

In Frankfurt Mr Martin Kohlhaussen, management board chairman of Commerzbank, said he did not belive an interest rate rise is needed, but added that he saw no scope for lower rates and expects the Bundesbank to keep monetary policy tight to prevent capital outflows.

In London Mr Nick Parsons, economist at Union Discount, alan doubted that German rates would rise, because this would be seen as a failure of G7 co-operation. He added that if it is seen to have failed in this respect then any accord to lower the value of the dollar will be equally discredited.

In Washington Mr Brady told a a senate banking committee that "the climate is still uncertain" when requesting congress to sanction an additional $80bn in funds for failed savings and loans companies.

At the London close the dollar had fallen to DM1.7850 from DM1.7985; to Y138.30 from Y138.80; to SFr1.5435 from SFr1.5530; and to FFr6.0600 from FFr6.1050. On Bank of England figures the dollar's index declined to 67.5 from 67.8.

Sterling improved against the dollar and was steady in terms of its European partners, despite speculation that the Conservative government will be forced to sanction further cuts in UK bank base rates if it is to win the next general election.

Mr John Banham, director general of the Confederation of British Industry, said "the key problem facing the economy is not inflation but confidence." The CBI called for substantial cuts in rates to boost confidence and encourage a recovery from recession.

The pound rose 1.20 cents to $1.6395. It also rose to Y226.75 from Y226.00 and to SFr2.5300 from SFr2.5275, but was unchanged at DM2.9275 and at FFr9.9350.

Sterling's index rose 0.1 to 89.7 and the pound was unchanged in the European exchange rate mechanism above the French franc and Danish krone.

The Spanish peseta remained at the top of the ERM, but continued to ease slightly, keeping pressure off the weaker members.

The peseta fell to FFr5.3945 per 100 pesetas from FFr5.4060 at the Paris fixing, trading steadily after last week's fall on speculation that the peseta would move into the narrow ERM band. Mr Mariano Rubio, Bank of Spain governor, said yesterday that Spain would not enter the narrow band until inflation was reduced.

£ IN NEW YORK

June 26	Latest	Previous Close
£ Spot	1.6380-1.6390	1.6300-1.6310
1 month	0.80-0.78pm	0.79-0.77pm
3 months	2.10-2.07pm	2.05-2.03pm
12 months	5.92-5.82pm	5.87-5.77pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 26	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	89.7	[illegible]

CURRENCY MOVEMENTS

Jun 26	Bank of England Index	Morgan Guaranty Changes %
Sterling	89.7	-21.6
U.S. Dollar	67.5	-10.8
Canadian Dollar	[illegible]	+3.9
Austrian Schilling	[illegible]	+11.0
Belgian Franc	[illegible]	-3.1
Danish Kroner	[illegible]	+2.1
D-Mark	[illegible]	+22.8
Swiss Franc	[illegible]	+18.4
Dutch Guilder	[illegible]	+14.8
French Franc	[illegible]	-14.1
Lira	[illegible]	-20.2
Yen	[illegible]	+49.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Jun 25

CURRENCY RATES

Jun 26	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	[illegible]	0.987674	0.701614
U.S. Dollar	6.00	1.31772	1.14963
Canadian $	[illegible]	[illegible]	[illegible]
Austrian Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	42.2600
Danish Krone	[illegible]	[illegible]	7.93108
D-Mark	[illegible]	[illegible]	2.05110
Dutch Guilder	[illegible]	[illegible]	2.31082
French Franc	[illegible]	[illegible]	6.96128
Italian Lira	[illegible]	[illegible]	1529.61
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	129.076
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	0.766765

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jun 25

OTHER CURRENCIES

Jun 26	£	$
Argentina	[illegible]	9975.00 - 9985.00
Australia	[illegible]	1.3030 - 1.3045
Brazil	[illegible]	307.400
Finland	[illegible]	4.2330
Greece	[illegible]	198.200
Hong Kong	[illegible]	7.7410
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	732.10
Kuwait	[illegible]	0.29385
Luxembourg	[illegible]	36.80
Malaysia	[illegible]	2.7805
Mexico	[illegible]	3016.90
N. Zealand	[illegible]	1.7380
Saudi Ar.	[illegible]	3.7510
Singapore	[illegible]	1.7675
S. Af (Cm)	[illegible]	2.8800
S. Af (Fn)	[illegible]	3.3335
Taiwan	[illegible]	27.20
U.A.E.	[illegible]	3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.076	-3.41	4.71	59
Italian Lira	1538.24	1529.61	-0.56	1.71	32
Belgian Franc	42.4032	42.2600	-0.34	1.48	20
Dutch Guilder	2.31643	2.31082	-0.24	1.38	16
D-Mark	2.05586	2.05110	-0.23	1.37	20
Irish Punt	0.767417	0.766765	-0.08	1.22	7
Sterling	0.696904	0.701614	0.68	0.46	-14
French Franc	6.89509	6.96128	0.95	0.17	-48
Danish Krone	7.84195	7.93108	1.14	0.00	-48

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6250 - 1.6415	1.6390 - 1.6400	0.80-0.78cpm	5.78	2.09-2.06pm	5.06
Canada	1.8590 - 1.8760	1.8720 - 1.8730	0.51-0.43cpm	3.01	1.24-1.12pm	2.52
Netherlands	3.2900 - 3.3000	3.2900 - 3.3000	⅝-⅝cpm	2.50	1⅝-1½pm	1.97
Belgium	60.00 - 60.35	60.20 - 60.30	15-11cpm	2.59	32-26pm	1.93
Denmark	11.2800 - 11.3280	11.2800 - 11.2900	2½-1¾orepm	2.26	5¼-4¼pm	1.64
Ireland	1.0915 - 1.0945	1.0930 - 1.0940	0.15-0.10ppm	1.37	0.30-0.20pm	0.91
Germany	2.9200 - 2.9300	2.9250 - 2.9300	¾-⅝pfpm	2.82	1⅝-1½pm	2.13
Portugal	254.45 - 255.80	254.80 - 255.80	50-85cdis	-3.17	138-180dis	-2.55
Spain	183.55 - 184.50	183.70 - 184.90	7-13cdis	-0.65	38-46dis	-0.91
Italy	2175.25 - 2186.40	2180.75 - 2181.75	1lirepm-par	0.28	par-2dis	-0.18
Norway	11.3975 - 11.4360	11.4150 - 11.4250	1⅛-⅝orepm	1.05	3¼-2¾pm	1.07
France	9.9015 - 9.9415	9.9300 - 9.9400	1½-1¼cpm	1.66	3¼-2¾pm	1.23
Sweden	10.5735 - 10.6080	10.5775 - 10.5875	1¼-¾orepm	1.13	1⅞-1⅛pm	0.57
Japan	225.25 - 227.25	226.25 - 227.25	¾-⅝ypm	3.64	2-1⅝pm	3.31
Austria	20.55 - 20.60	20.55 - 20.58	5¼-4⅛gropm	2.74	11⅛-9⅛pm	2.02
Switzerland	2.5250 - 2.5350	2.5250 - 2.5350	⅞-¾cpm	3.85	2⅛-1⅞pm	3.46
Ecu	1.4215 - 1.4300	1.4255 - 1.4265	0.22-0.17cpm	1.64	0.44-0.36pm	1.12

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.67-3.62cpm, 12 Month 5.88-5.78cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6250 - 1.6415	1.6390 - 1.6400	0.80-0.78cpm	5.78	2.09-2.06pm	5.06
Ireland†	1.4885 - 1.5000	1.4980 - 1.4990	0.55-0.50cpm	4.20	1.45-1.35pm	3.74
Canada	1.1410 - 1.1425	1.1415 - 1.1425	0.25-0.28cdis	-2.78	0.71-0.76dis	-2.57
Netherlands	2.0065 - 2.0235	2.0095 - 2.0105	0.55-0.58cdis	-3.37	1.59-1.64dis	-3.21
Belgium	36.70 - 37.00	36.70 - 36.80	9.00-11.50cdis	-3.35	26.00-32.00dis	-3.16
Denmark	6.8800 - 6.9445	6.8800 - 6.8850	1.90-2.20oredis	-3.57	5.70-6.40dis	-3.52
Germany	1.7805 - 1.7985	1.7845 - 1.7855	0.46-0.48pfdis	-3.16	1.35-1.38dis	-3.06
Portugal	156.30 - 156.95	156.30 - 156.40	130-160cdis	-11.13	345-375dis	-9.21
Spain	112.10 - 113.15	112.30 - 112.40	63-67cdis	-6.94	171-178dis	-6.21
Italy	1328.25 - 1338.50	1330.25 - 1330.75	6.00-6.60liredis	-5.68	17.20-18.20dis	-5.32
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jun 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅛ - 11⅛	11⅝ - 11⅛	11⅜ - 11⅛	11⅜ - 11⅛	11⅛ - 11	10⅞ - 10⅞
US Dollar	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6	6⅜ - 6⅛	6⅝ - 6⅛	7 - 6⅞
Can. Dollar	8½ - 8¼	8½ - 8¼	8½ - 8¼	8⅝ - 8⅜	8¾ - 8½	9⅛ - 8⅞
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9⅛	9¼ - 9⅛	9⅜ - 9⅛	9⅝ - 9⅜
Swiss Franc	7⅞ - 7⅝	8 - 7⅞	8 - 7⅞	8 - 7⅞	8 - 7⅞	7⅞ - 7⅝
D-Mark	9 - 8¾	9 - 8⅞	9 - 8⅞	9⅛ - 9	9¼ - 9⅛	9⅜ - 9⅜
French Franc	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Italian Lira	12 - 10	11½ - 10½	11⅛ - 10⅞	11⅛ - 10⅞	11⅜ - 11⅛	11⅞ - 11⅝
Belgian Franc	9⅛ - 9	9⅛ - 9	9⅛ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅜
Yen	8¼ - 8⅛	8¼ - 8⅛	8⅛ - 8	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞
Danish Krone	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9½ - 9⅜	9⅝ - 9½	9½ - 9½
Asian $Sing	5⅞ - 5⅛	5½ - 5⅜	5⅞ - 5⅛	6⅛ - 5⅞	6⅛ - 6⅛	6¼ - 6⅛

Long term Eurodollars: two years 7⅛-7⅛ per cent; three years 8⅛-8 per cent; four years 8⅜-8¼ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 26	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.640	2.928	226.8	9.935	2.530	3.295	2181	1.873	60.25	1.426
$	0.610	1	1.785	138.3	6.058	1.543	2.009	1330	1.142	36.74	0.870
DM	0.342	0.560	1	77.46	3.393	0.864	1.125	744.9	0.640	20.58	0.487
YEN	4.409	7.231	12.91	1000.	43.81	11.16	14.53	9616	8.258	265.7	6.287
F Fr.	1.007	1.651	2.947	228.3	10.	2.547	3.317	2195	1.885	60.64	1.435
S Fr.	0.395	0.648	1.157	89.64	3.927	1	1.302	862.1	0.740	23.81	0.564
H Fl.	0.303	0.498	0.889	68.83	3.015	0.768	1	661.9	0.568	18.29	0.433
Lira	0.459	0.752	1.343	104.0	4.555	1.160	1.511	1000.	0.859	27.62	0.654
C$	0.534	0.876	1.563	121.1	5.304	1.351	1.759	1164	1	32.17	0.761
B Fr.	1.660	2.722	4.860	376.4	16.49	4.199	5.469	3620	3.109	100.	2.367
ECU	0.701	1.150	2.053	159.0	6.967	1.774	2.311	1529	1.313	42.25	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH SWISS FRANC; FT-SE 100 INDEX; FT-SE EUROTRACK 100 INDEX; FT FOREIGN EXCHANGE RATES; DM-STERLING — [illegible]

* Contracts traded on APT

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; U.S. TREASURY BILLS (IMM) $1m points of 100%; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%; SWISS FRANC (IMM) SFr 125,000 $ per SFr; STANDARD & POORS 500 INDEX $500 times index; BRITISH POUND (IMM); PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate); CAC-40 FUTURES (MATIF) Stock Index; ECU BOND (MATIF) — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
101	-	-	-	0.13	0.36	-
102	-	-	-	0.24	-	-
103	-	-	-	0.42	-	-
104	1.28	-	-	0.73	-	-
105	0.75	1.18	-	1.20	-	-
106	0.40	0.79	-	-	-	-
107	0.18	0.50	-	-	-	-
Open Int	143,690	24,915	3,200	114,837	19,227	9,800

Estimated volume 29,793 Total Open interest 315,669

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm.Bk.of London Plc	11.5	McDonnell Douglas Bnk.	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11.5	Exeter Bank Limited	12	Roxburghe Bank Ltd.	12.5
Bank Credit & Commr	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc.	14	● Smith & Williamsn Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	Unibank plc	11.5
Banque Belge Ltd	12	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	11.5	Western Trust	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bank	11.5	Westpac Banking Corp	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Inflationary fears

RISING INFLATION in two German states, Hesse and Baden Wuerttemberg, fuelled speculation about higher interest rates ahead of today's Bundesbank council meeting in Berlin.

It is thought in the market that the trend in the two regions probably exaggerates national trends. Nevertheless, Germany's June consumer price index is expected to show a rise from the May year-on-year rate of 3.0 per cent.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

If official rates are not increased today, speculation is still likely to increase ahead of the Bundesbank's meeting in Frankfurt in two weeks time, the last council meeting before the summer recess.

Call money was unchanged at 8.85 per cent in Frankfurt yesterday, after the Bundesbank added a net DM3.5bn at this week's securities repurchase agreement tender. The central bank accepted bids of DM11.5bn for 28-day funds, mostly at 8.75 per cent, unchanged from the previous pact. This replaced an expiring facility of DM8bn.

In London three-month sterling interbank firmed to 11⅛-11⅛ from 11¼-11⅛ per cent in nervous trading ahead of the Bundesbank meeting. One-year money was steady at 11-10⅞ per cent.

Prices of short sterling futures continued to decline on Liffe. September delivery fell to 89.36 from 89.39.

Day-to-day credit was in short supply in the cash market. The Bank of England forecast a shortage of £1,300m initially, but revised this to £1,250m at noon, and to £1,100m in the afternoon. Assistance of £994m was provided.

In early help the authorities bought £609m bills by way of £300m bank bills in band 1 at 11⅛ per cent and £309m bank bills in band 2 at 11⅛ per cent. Before lunch £129m bills were purchased, via £5m Treasury bills in band 1 at 11⅝ per cent, £69m Treasury bills in band 2 at 11⅛ per cent and £55m bank bills in band 2 at 11⅛ per cent.

In the afternoon £191m bills were bought, through £80m Treasury bills in band 1 at 11⅝ per cent and £111m bank bills in band 1 at 11⅝ per cent. Late assistance and £65m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £295m, with exchequer transactions absorbing £900m, a rise in the note circulation £90m and bank balances below target £5m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jun 26)	3 months US dollars		6 months US Dollars	
	bid 6¼	offer 6⅜	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds — [illegible]

Jun 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Jun 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 10⅞ per cent; three months 10⅞ per cent. Bank Bills (sell): one-month 11⅛ per cent; three months 10⅞ per cent; Treasury Bills: Average tender rate of discount 10.5677 p.c. ECGD Fixed Rate Sterling Export Finance. [illegible] Finance House Base Rate 12 from June 1, 1991. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three month 10½ per cent; three-six month 10 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 8 per cent from May 28, 1991. Deposits withdrawn for cash 5 per cent.

Abbey National Treasury Services PLC

G£120,000,000 Subordinated Floating Rate Notes due 1993

Notice is hereby given that for the Interest Period from 27th June, 1991 to 27th September, 1991 the Note will carry a Rate of Interest of 11.9625% per annum. The amount of interest payable on 27th September, 1991 will be GB£3,618,246.00.

Agent Bank: Dai-Ichi Kangyo Bank, (Luxembourg) S.A.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

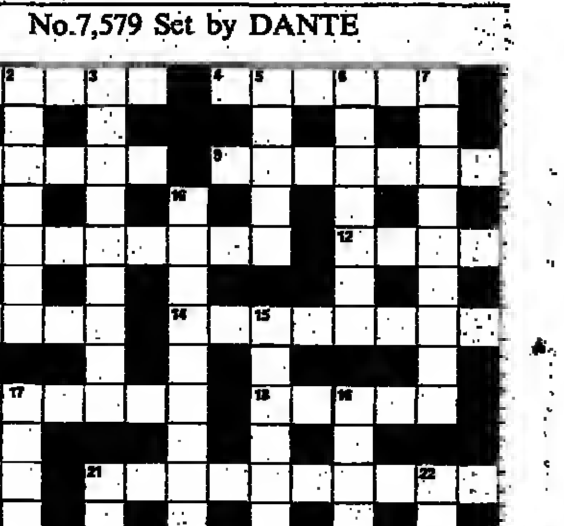
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,579 Set by DANTE



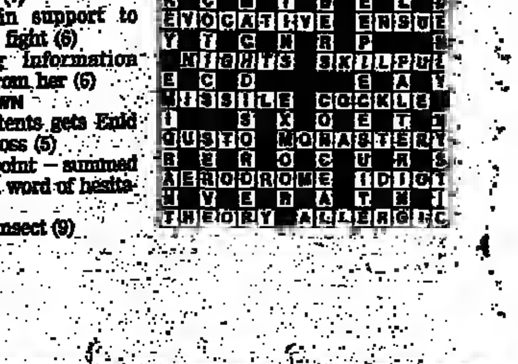
ACROSS

1 It's completely in Latin (2,4)
4 Temporarily stop work on hedge (3,5)
9 A strange odd pet taken in by the family (7)
10 Filled in with very loud duets newly composed (7)
11 Additional protection for a cricketer (5,5)
12 Have a look round the south as well (4)
13 Country needs aid in getting into shape (5)
14 Time for wonder (4,4)
16 A noted textbook (8)
18 Name – and address? (5)
20 Elevator for part of the building (4)
21 He urges one change to facilitate quick growth (10)
23 Rattles, when rattled, rattle (7)
24 Leisure time with a girl in a good setting (7)
25 Is getting in support to carry on the fight (6)
26 I'm getting information about love from her (6)

DOWN

1 Table of contents gets Enid upset and cross (6)
2 Got to the point – summed up without a word of hesitation (7)
3 Biting ditch insect (9)
5 I star in a moving production (5)
6 Cavalier not on duty over the worker (3-4)
7 There's no set way to win this race (4,5)
8 What's the betting? Not a lump sum (4,5)
13 A starter – I ration it out (9)
15 Performing below standard, like a truant? (3,2,4)
17 Looks kind; often (7)
19 Impressive work by the bookmaker (7)
22 One of a lot of government securities (5)
23 A turnround in S. Europe (5)

Solution to Puzzle No.7,578



WORLD STOCK MARKETS

CANADA

TORONTO

3:15 pm prices June 26

Quotations in cents unless marked $

MONTREAL

3:00 pm prices June 26

Total Sales 10,180,100 shares

INDICES

NEW YORK

DOW JONES	June 25	June 24	June 21	June 20	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2910.11	2913.01	2965.56	2953.94	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.07	94.25	94.31	90.40	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1143.86	1161.50	1190.59	1191.82	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	197.25	197.12	197.81	197.31	220.89 (16/4)	197.12 (24/6)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2938.51 (2962.21) Low 2887.97 (2910.78)

STANDARD AND POOR'S	June 25	June 24	June 21	June 20	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	370.65	370.94	377.75	375.42	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	442.22	442.32	450.67	447.74	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	28.99	29.44	30.04	29.88	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	203.21	203.49	206.87	205.87	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	358.59	360.01	365.36	364.33	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	473.30	475.25	485.82	485.88	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	June 21	June 14	June 7	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.03	3.05	3.67

	June 19	June 12	June 5	year ago (approx.)
S & P Industrial div. yield	2.80	2.79	2.73	2.93
S & P Indl. P/E ratio	18.85	18.91	19.34	16.87

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Int. Special	6,777,900	15⅝	...
Pepsico	5,586,500	28¾	-¼
Beazer	2,354,300	7¾	-1¾
Philip Morris	2,124,000	63¼	-1
Utd. Telecom	1,789,800	30¼	+⅞
IBM	1,715,100	99⅛	+1
Telefonos	1,499,100	25⅛	+⅛
BankAmerica	1,456,900	35⅞	-1½
Gen. Motors	1,428,700	41⅛	+⅛
AT & T	1,329,500	38	+¼

TRADING ACTIVITY

† Volume (Millions)	June 25	June 24	June 21
New York	155.450	137.700	193.110
Amex	12.319	10.321	9.635
NASDAQ	129.032	124.118	151.133
Issues Traded	2,036	2,036	2,050
Rises	614	298	822
Falls	889	1,327	687
Unchanged	533	411	541
New Highs	8	11	26
New Lows	28	34	16

CANADA

TORONTO	Jun 25	Jun 24	Jun 21	Jun 20	1991 HIGH	1991 LOW
Metals & Minerals	3161.77	3162.36	3204.60	3226.20	3284.18 (5/3)	2632.06 (9/1)
Composite	3478.69	3478.77	3516.80	3527.32	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1838.72	(c)	1858.88	1865.86	1903.86 (7/6)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 26	June 25	June 24	June 21	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1506.9	1499.8	1505.2	1512.1	1558.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	654.4	652.1	651.6	656.4	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	504.29	504.89	508.68	518.76	534.81 (16/4)	398.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1160.32	1155.93	1159.28	1166.30	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.76	367.04	367.80	368.28	367.80 (20/6)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	986.5	985.9	996.8	(c)	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	473.42	471.44	477.06	479.10	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1760.52	1775.53	1775.63	1806.63	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	706.51	712.29	711.25	715.76	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1991.6	2006.8	2007.4	2022.7	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1672.14	1691.47	1691.56	1711.86	1715.88 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3634.64	3604.26	3569.54	3565.14	3917.09 (20/5)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1365.74	1364.63	1356.88	1362.68	1520.65 (15/5)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	589.63	582.97	580.96	592.74	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23766.38	23907.42	23765.46	24275.08	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1847.84	1852.67	1844.59	1873.84	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3267.43	3254.17	3272.37	3297.32	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	624.08	623.07	624.91	624.44	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	276.1	278.4	278.9	281.2	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	196.7	198.4	198.7	200.3	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	763.43	767.62	773.15	778.72	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1048.88	1024.68	1046.53	1082.62	1183.46 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	404.51	403.27	(c)	406.21	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1372.0	1329.0	1326.0	1374.0	1416.0 (10/6)	971.8 (25/2)
JSE Industrial (28/9/78)	3804.0	3822.0	3865.0	3900.0	3911.8 (20/6)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	597.60	595.21	593.85	597.69	697.62 (4/1)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	278.88	278.08	278.39	278.50	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1125.2	1123.6	1131.0	(c)	1137.8 (19/6)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	749.8	753.1	752.2	760.2	766.1 (31/5)	590.4 (14/1)
SBC General (1/4/87)	620.7	623.2	622.9	629.2	636.8 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	6023.18	5872.74	6090.19	6033.24	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	769.49	749.82	754.49	773.54	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	488.0*	489.8	489.1	496.0	529.2 (17/4)	439.1 (16/1)

**Saturday June 22: Taiwan Weighted Price: 6132.73 Korea Comp Ex. 590.57.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 26 June 1991

	Stocks Traded	Closing Prices	Change on day
Akai Electric	16.1m	1,290	-80
Nippon Steel	10.0m	413	+8
Nippon Carbon	6.6m	888	+17
Mitsubishi Heavy	5.0m	711	+4
Kawasaki Steel	4.8m	400	+11
Hitachi	4.2m	1,080	-20
Chiyoda	3.5m	2,320	-220
Clarion	3.4m	990	+5
NKK	3.3m	390	-2
Casio Computer	3.3m	1,470	+18

3:15 pm prices June 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	9¼	AAR Corp	0.46	0.00	15	72	14⅛	14	14⅛	+⅛
16¾	14½	A L Labs A	0.16	0.01	17	174	10¼	19	10	-¼
50½	40⅞	AMP Inc	1.44	0.03	16	1826	49	46⅞	46⅞	-⅛
68⅝	44¼	AMR				176498	59⅝	58½	59⅛	+⅛
2⅝	1¼	ARX			1	25	1⅝	1½	1½	
51½	41½	ASA	3.50	0.21	14	1333	u51¼	50	51	+1⅛
54	50¾	Abbott Lab	1.00	0.02	22	3104	51¼	00⅝	01⅝	+½
14⅜	8⅞	Abitibi Pr	0.00	0.04	23	26	12½	13½	13½	+⅛
11⅛	10⅜	ACM Gvt In	1.28	0.12		584	10⅞	10⅛	10⅛	-⅛
9⅛	6¼	ACM GvOpp	1.01	0.11		63	9	6⅞	9	+⅛
9¼	8¼	ACM Gvt Sp	1.01	0.11		443	9⅛	9⅞	9⅛	+⅛
11	9⅞	ACM Gvt Sc x	1.26	0.12		1211	10¼	10⅛	10¼	
6⅛	7⅞	ACM Man	1.01	0.12		139	0¼	6⅛	6⅜	
12⅞	11½	ACM Managd	1.37	0.11		429	12⅛	12	12	-⅜
7½	4¾	Acme Cleve	0.40	0.07	13	26	6½	0⅝	5⅝	-⅛
6	3½	Acme Elect			44	10	4⅜	4½	4½	
46	22¾	Acuson			21	4865	29⅞	28¼	28⅝	+⅜
18½	14¼	Adams Expr	0.72	0.04	0	216	17¾	17½	11⅜	-⅛
20⅛	19	Adobe 12Pf	0.40	0	13	292	16⅝	16¼	16⅛	
9⅛	0⅞	Adobe Res			29	690	7⅛	d8⅛	1	-½
36½	16	Ad Micro				16	34¾	34½	04½	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices June 26

NASDAQ NATIONAL MARKET

3:15 pm prices June 26

AMERICA

Bank merger discussions help to boost volume

Wall Street

BANK ISSUES again dominated Wall Street, where news of merger discussions between NCNB and C&S/Sovran prompted a flurry of activity yesterday morning, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was 3.58 down at 2,906.53 on moderately heavy volume, after recouping most of a morning loss of more than 15 points.

The Dow seemed to find support at 2,890. Advancing issues led those declining by a ratio of four to three. On Tuesday, the Dow lost 2.90 to close at 2,910.11.

C&S/Sovran jumped $3⅜ to $22⅜ in heavy trading after the Georgia-based bank said that it was having preliminary merger discussions with NCNB, the big North Carolina-based bank. NCNB eased $⅝ to $37½.

In the same sector, Wells Fargo, which plunged $7¼ on Tuesday on news of a $350m loan-loss provision, fell another $4¾ to $69¼. Wells Fargo's news triggered concern that other financial institutions might make write-offs. Bankers Trust lost $1⅜ to $49¼ and Citicorp eased $⅜ to $15¼.

However, some bank issues moved higher, including BankAmerica, up $⅛ at $36, and Manufacturers Hanover, $⅜ higher at $21½.

PepsiCo, which has been extremely active recently, added $¼ to $29 after falling on Tuesday in response to concern about its Frito-Lay snacks business.

Beazer plunged $2¼ to $5½ in a second day of active trading. The British construction company expects profits for the year ending June 30 to drop below analysts' expectations. Beazer has also announced plans to spin off its European house building unit.

Triton Energy climbed $1⅞ to $19¾ after the investor Mr George Soros disclosed that he holds a 5.5 per cent stake in the company.

Although Apple Computer, one of the over-the-counter bellwethers, added $⅞ to $43¼, and Intel climbed $1⅞ to $45¾, the secondary market overall showed no signs of recovery at midsession, with the Nasdaq composite off 0.82 at 472.48.

Among featured secondary issues, Autodesk dropped $2½ to $48 after an analyst at Alex. Brown cut an investment rating on the stock.

3Com slid $⅜ to $7⅜ after the company posted fourth quarter net income of 12 cents a share against 25 cents a year earlier.

AES Corporation traded at $20⅛, following an initial common stock issue of 4.77m shares at $19 a share.

Canada

TORONTO midday stocks held steady at Tuesday's closing level. The composite index eased 0.9 to 3,477.8. Declines led advances by 176 to 175 on volume of 15.86m shares.

Nova Corp of Alberta added to the weight of new issues, saying it had signed an underwriting agreement to issue 25m shares at C$8.20 each. Nova also said it expected to record a loss of C$20m in the second quarter. Its shares fell C$¼ to C$8⅞. Petro-Canada, which went public on Tuesday, was unchanged at C$13.

The gold sector headed higher on support from climbing gold futures. Among gold shares, Placer Dome rose C$⅜ to C$15⅜, American Barrick firmed C$⅜ to C$25 and Echo Bay gained C$⅜ to C$10⅜.

New Zealand prepares for testing hurdles

Cash calls and the budget could trip up Wellington's recovery, writes Terry Hall

OVERSEAS buying, which was the driving force behind a second-quarter rally in Wellington, has eased in recent weeks, with most shares stabilising near their May values.

At the end of the first quarter New Zealand was up only 4 per cent on the year, compared with a global rise of 14 per cent in the FT-Actuaries World Index in local currency terms. The New Zealand market has now extended that gain to 12 per cent – only slightly below the world's 13 per cent advance – although it has actually fallen 7 per cent over the past four weeks.

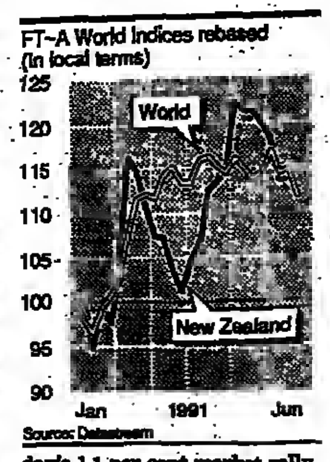
Turnover has also declined, a situation welcomed by dealers after the series of parties to mark the end of floor trading last week, and the move to computerised screen trading. The three regional floors closed for the last time on Friday, provoking a flood of nostalgia for the end of open outcry trading, which had flourished since the gold mining days of the 1860s.

The recent buying interest from the UK and Asia was sparked by growing confidence in the New Zealand economy and the economic policies adopted by the national government which took power in November.

The economic outlook was considered to be brighter, as interest rates had fallen sharply this year. Yields on most stocks were regarded as high, and companies which had survived three years of harsh recession by slimming down and becoming more efficient were looking undervalued.

Market leader Fletcher Challenge, the forestry and resources group, has mirrored the performance of the index. In January its share price reached a low of $2.87, before bouncing to $4.20 in May. Since then it has eased back, owing to a lack of overseas buying interest, losing a cent to $3.70 yesterday. Fletcher Challenge failed to participate in yesterday's 1.1 per cent market rally, when the Barclays index rose 16.33 to 1,440.06, because of the lingering effect of pessimistic profit forecasts from analysts.

FT-A World indices rebased
(in local terms)



Source: Datastream

The strong upward movement in the market since February took many local investors by surprise. Confidence in shares had been low since the 1987 global financial markets crash, from which New Zealand has not yet recovered. Local institutions had been heavy sellers for much of the period since then.

It is estimated that the life insurance industry, which formerly held some 35 per cent of the shares on the market, now holds about 19 per cent, with international investors building up a 19 per cent interest over the past 12 months.

The market faces two significant tests over the next quarter. The first is the sale of Telecom shares which is seeking a minimum of NZ$425m (US$244m) and closes on July 12. The American owners, Bell Atlantic and Ameritech, are hoping for substantial local support with a minimum of NZ$145m from New Zealand investors.

This will be followed by the NZ$400m Carter Holt Harvey rights issue, which is aimed at overcoming balance sheet weakness following the purchase of Elders NZFP. Brierley Investments, CHH's leading shareholder, is underwriting the issue and is expected to seek to increase its stake when the rights start trading.

Both issues, which follow a number of smaller cash calls by other big companies including Fletcher Challenge and Corporate Investments, are expected to be well-supported.

Of more immediate concern is next month's budget, which is expected to include cuts in social welfare spending and the wider implementation of a "user-pays" policy in health and education. Both Mr Jim Bolger, the prime minister, and Ms Ruth Richardson, the minister of finance, have assured the financial markets that they will be taking decisive action to curb the internal deficit.

However, they face a backbench revolt, with some MPs seeking a softer line. This is causing some uncertainty in financial markets, and doubts as to whether the government will deliver all its promises. The stock market is, therefore, likely to be quiet until the budget is out of the way.

EUROPE

Inflation angst wipes out Frankfurt's early gains

MOST BOURSES followed the pattern established during morning trading in Frankfurt yesterday, where the market closed lower after an optimistic start, *writes Our Markets Staff.*

FRANKFURT rose initially on favourable announcements from Daimler and Siemens, but soon slid in nervous trading as an unexpectedly big rise in inflation in the state of Hesse prompted fears that the Bundesbank would raise interest rates at its council meeting today.

The FAZ index, calculated at midsession, fell 5.78 to 706.51, while the real-time DAX index closed 19.33 or 1.2 per cent lower at 1,672.17 after touching 1,700 in early trading. There was concern that the DAX could breach its 1,660 downside support level. Volume rose to DM7.9bn from DM6.4bn.

Inflation in Hesse rose 0.6 per cent in the month to mid-June from mid-May and was up 4.4 per cent year on year. Reasons for the jump were not given.

Technical factors also lay behind the sudden fall in prices, dealers said. On the one hand, some independent domestic brokers were forced to square their positions to come back within their bank credit limits by the end of the month, and on the other, London marketmakers went short as soon as the market looked vulnerable.

Siemens rose as high as DM663 on news of an Iranian power plant order worth DM2.6bn, before closing DM5.80 lower at DM652.70. Daimler, which had been strong so far week, suffered a similar fate. The diversified car company rose to DM802 after Mr Edzard Reuter, the chairman, told shareholders that he expected 1991 group sales to rise 11 per cent to DM95bn. But it closed down DM7 at DM786.

The chemical sector was surprisingly resilient. Bayer put on DM1.40 to DM268.50, while BASF, ex dividend this afternoon, was 10 pfg better at DM253.10 with a hefty 3.1m shares traded.

MILAN recovered for the second day, although it came off the day's highs. The market took some comfort from a report in the financial daily, Il Sole 24 Ore, that the government was studying alternatives to its plan to force companies to revalue their property assets for tax purposes.

The Comit index rose 6.66 to 589.63 in volume estimated at near Wednesday's L160bn.

Cir, the holding company of Mr Carlo De Benedetti, continued to advance as the market gave a favourable reception to the group's cautious strategy. The stock rose L70 to L2,950 while Olivetti added L28 to L3,910. In the hard-hit insurance sector, Generali recouped L390 to L34,240.

PARIS lost its early gains to end lower, as Wall Street eased soon after its opening. Trading quietened down after the takeover interest and large block trades in Générale des Eaux seen the previous day. The CAC 40 index closed 15.01 down at a three-month low of 1,760.52, after reaching a day's high of 1,783.43.

Peugeot weighed heavily on the market, as its shares lost FFr15 or 2.6 per cent to FFr572 with 213,700 traded. Mr Jacques Calvet, Peugeot chairman, said that new car sales figures for the early part of this month heralded a disappointing result for June.

Industry figures for May showed a fall of 21.2 per cent in French new car sales in the month, compared with the same month last year.

Promodes, the retail group, lost FFr83 to FFr2,180. A broker's error led to a brief halt in trading in the stock soon after the opening.

AMSTERDAM closed at the day's lows. Brewery stocks were especially weak, in tandem with their counterparts in the UK, as the gloomy weather threatened summer beer sales. The CBS Tendency index ended down 0.9 at 93.3, its third straight loss this week.

Heineken fell Fl 3.40 to Fl 146.90 after a Dutch newspaper said that recent acquisitions had given Guinness of the UK a greater share of the Spanish beer market. Bols fell Fl 2.50 to Fl 204 while Grolsch was down 50 cents at Fl 182.50.

MADRID again marked time in light trading. The general index rose 0.51 to 278.59 as turnover eased to about Pta9bn from Pta10bn.

Activity again centred on utilities. Hidrola rose Pta3 to Pta577 on 1.25m shares while Iberduero eased Pta2 to Pta695 on 702,123 shares, as the boards of the two companies approved their merger.

COPENHAGEN edged higher, with the bourse index up 0.72 at 367.76. Danisco, the food, drinks and packaging company, fluctuated between DKr975 and DKr957 before closing at DKr968, down DKr2. The group announced better-than-expected results for 1990-91.

STOCKHOLM recovered from a weak opening to close marginally higher as trading picked up. The Affärsvärlden General index rose 1.6 to 1,125.2 in volume of SKr294m, after SKr208m.

ZURICH followed Frankfurt and Wall Street lower, after a fairly confident opening. The Crédit Suisse index closed 2.8 down at 539.4.

FT-SE Eurotrack 100 - Jun 26

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1128.69	1127.87	1123.97	1121.51	1120.00	1118.98	1117.45	1114.79
Day's High 1128.69				Day's Low 1114.02			

Jun 25	June 24	June 21	June 20	June 19
1128.57	1126.07	1141.29	1131.17	1131.81

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei falls back on talk of share rigging

Tokyo

THE NIKKEI average, which held firm in the morning, fell towards the end of the day yesterday as rumours of share price manipulation ran through the market, *writes Emiko Terazono in Tokyo.*

The index closed 141.04 lower at 23,766.38. Investors, reassured by the previous day's 142-point rally, helped the Nikkei to reach a day's high of 24,122.58 in the morning. Rumours that leading Japanese brokerages had manipulated the prices of several stocks earlier in the year pulled the index down to a day's low of 23,743.58, in line with a sharp drop in futures prices.

Volume remained subdued, totalling 300m shares against Tuesday's 280m. Gains still led losses at the close by 510 to 441, while 182 issues were unchanged.

The Topix index of all first-section stocks lost 4.83 to 1,847.84, and in London trading the ISE/Nikkei 50 index fell 15.53 to 1,369.15.

Reports that the Tokyo Stock Exchange had decided to announce the cash-futures arbitrage positions of every leading securities house, in order to minimise the volatility caused by arbitrage-related trading, triggered heavy selling in the futures market. Traders said investors were still jittery about this week's stock scandals. Mr Shin Tokoi at County NatWest Securities said the market was expecting more bad news.

Securities companies, which held firm during the morning, dropped on the price manipulation rumours. Nomura Securities weakened Y50 to Y1,750 and Nikko Securities lost Y22 to Y910.

Investors also sold issues which previously had been recommended by the Big Four brokers. Chiyoda, the plant engineer, retreated Y220 to Y2,330 and Nisshin Steel, which had been recommended on the aluminium theme, receded Y30 to Y610.

Akai Electric, the most active issue of the day, lost Y60 at Y1,290 after moving to an all-time high of Y1,360. Profit-taking set in after the issue rose on prospects of a quick recovery in the company's earnings.

Nippon Carbon advanced Y17 to Y838 in heavy trading on rumours that an Osaka-based speculator was accumulating the stock.

Bargain hunting by foreigners was noted, especially of blue chip companies and large-capital issues. Sony moved ahead Y60 to Y6,170, Nippon Steel added Y6 at Y413 and Mitsubishi Heavy Industries put on Y4 to Y711.

Hitachi fell Y20 to Y1,080. The issue had risen in the morning on buying by pension funds and investment trusts, but retreated on profit-taking.

Pharmaceuticals gained ground on buying by US pension funds. Mochida Pharmaceutical advanced Y60 to Y2,250 and Chugai Pharmaceutical Y30 to Y1,180.

In Osaka, the OSE average rose 141.21 to 26,726.82 on volume of 28m shares, down from 25m. Constructions, pharmaceuticals and small-capital steel issues moved higher.

Roundup

TOKYO's late fall brought many Pacific Rim markets off the day's highs yesterday.

AUSTRALIA closed higher as investors squared their books before the end of the financial year on June 30. Brokers said institutions caught in short positions were selling across the board, while others with cash surpluses in superannuation funds were buying to maximise tax advantages.

The All Ordinaries index finished at 1,508.9, up 7.1, but off its midsession high of 1,510.3, in volume of A$335m, up from A$207m.

About 5.1m Gold Mines of Kalgoorlie shares were crossed by James Capel at 64 cents each. GMK ended 2 cents up at 64 cents. Capel also crossed 2.8m Newcrest Mining shares at A$1.19 each. Newcrest shed 4 cents to A$1.16. The Stock Exchange suspended Great Fingall on advice that receivers had been appointed to its Cooper Resources subsidiary.

MANILA recovered from its slump on US assurances that it would not abandon its air base in the Philippines in spite of damage from the recent volcanic eruption. The composite index improved by 24.20 to 1,048.88. Volume contracted to 120m pesos from 188m.

KUALA LUMPUR saw gains pared by profit-taking as investors became cautious following the weaker close in Tokyo. The composite index was finally 1.01 up at 524.08 after having risen 2.99 by midday. Volume grew to 45m shares from 36m.

Tin shares rose on speculative buying, following a spate of acquisitions and mergers. The sector index jumped 11.19 or 4.6 per cent to 253.38.

HONG KONG climbed on bargain-hunting and window-dressing by fund managers ahead of the end of the quarter and first half. The Hang Seng index gained 30.38 at 3,634.64, after a day's high of 3,644. Turnover rose to HK$912m from HK$798m.

Brokers said investors had discounted a statement by Governor Sir David Wilson that the planned new airport was likely to be postponed.

TAIWAN finished higher. The weighted index rose 150.44, or 2.6 per cent to 6,023.18 in much weaker volume of T$28.5bn, the lowest for two weeks, after Tuesday's T$56.1bn. SEOUL advanced for a third day as trading centred on construction shares. The composite index added 2.89 to 597.60 in volume of Won93.7bn.

SINGAPORE rose on bargain-hunting. The Straits Times Industrial index closed at 1,502.59, up 10.70, in volume of S$83.02m, up from S$68.40m.

BANGKOK recovered after its recent weakness. The SET index, which had lost 62.88 points since June 17, rallied 19.67 or 2.6 per cent to 709.49 in volume of 3.61bn baht.

JAKARTA fell again in light turnover of 3.6m shares. The index dropped 7.61 to 360.39.

BOMBAY retreated for the third day on fears of a tough budget. The BSE index fell 29.31 to 1,272.54.

SOUTH AFRICA

GOLD SHARES rose further as bullion prices held firm around $366. The all-gold index rose 43 to 1,372 and the all-share added 8 to 3,313. Industrials found support from bargain-hunting, but the sector index eased 18 to 3,804.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 25 1991								MONDAY JUNE 24 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	139.17	+0.1	126.78	122.10	130.13	120.93	−0.1	5.32	139.10	125.55	122.08	129.05	121.10	147.30	112.74	141.43
Austria (20)	185.74	−1.1	169.20	162.97	173.68	173.14	−0.8	1.57	187.74	169.48	164.78	174.18	174.18	222.37	167.00	255.96
Belgium (49)	125.94	−1.3	114.73	110.49	117.76	114.92	−0.6	5.18	127.58	115.16	111.96	118.36	115.62	151.20	121.73	150.10
Canada (115)	139.00	+0.1	126.62	121.95	129.96	114.84	+0.0	3.38	138.93	125.40	121.93	128.88	114.99	142.27	126.49	135.43
Denmark (37)	239.95	−1.0	218.58	210.53	224.36	226.16	−0.3	1.49	242.25	218.67	212.63	224.75	226.77	270.56	217.74	258.43
Finland (18)	100.08	−1.8	91.17	87.82	93.58	89.40	−1.8	2.73	101.87	91.96	89.42	94.52	91.06	125.15	90.61	133.86
France (114)	127.04	−0.8	115.73	111.45	118.78	121.66	−0.1	3.63	128.10	115.62	112.42	118.83	121.77	152.26	121.85	161.29
Germany (65)	109.45	−0.8	86.71	96.04	102.34	102.34	+0.0	2.19	110.33	99.59	96.85	102.36	102.36	125.35	102.43	133.18
Hong Kong (55)	150.89	+0.7	137.45	132.38	141.09	150.01	+0.9	5.17	149.88	135.29	131.54	139.06	148.62	161.77	119.62	135.96
Ireland (18)	142.84	−0.7	130.12	125.32	133.56	135.21	+0.1	3.76	143.79	129.79	126.20	133.40	135.11	182.46	132.88	186.92
Italy (77)	74.11	−0.3	67.51	65.02	69.29	74.11	+0.5	3.16	74.32	67.08	65.23	68.95	73.71	88.23	72.05	107.31
Japan (474)	130.10	+0.8	118.51	114.14	121.66	114.14	+0.6	0.74	129.33	118.74	113.51	120.00	113.51	146.97	118.35	143.19
Malaysia (68)	235.74	+0.0	214.75	206.83	220.42	252.58	−0.1	2.58	235.68	212.69	206.80	218.60	252.92	247.78	192.83	229.96
Mexico (15)	674.35	−3.0	887.59	854.87	911.05	3212.42	−3.0	2.00	1004.57	906.77	881.71	932.00	3312.07	1079.72	534.45	510.92
Netherland (31)	133.14	−0.9	121.28	116.81	124.49	123.05	−0.2	4.36	134.35	121.27	117.92	124.65	123.25	145.73	125.70	141.67
New Zealand (13)	47.20	−0.8	42.99	41.41	44.13	43.55	−1.0	8.07	47.60	42.96	41.78	44.16	43.97	54.84	41.18	65.56
Norway (32)	192.41	−1.6	175.28	168.82	179.91	183.07	−0.9	1.60	195.52	178.48	171.61	181.40	184.70	223.24	182.24	233.35
Singapore (38)	195.35	−0.3	177.95	171.39	182.65	159.07	−0.9	2.13	196.00	176.92	172.03	181.84	160.50	208.25	151.63	204.95
South Africa (61)	228.40	−0.4	208.07	200.39	213.56	165.65	−0.9	3.31	229.39	207.06	201.88	212.82	167.43	236.46	173.00	172.80
Spain (55)	147.73	−1.1	134.58	129.62	138.13	126.47	−0.1	4.22	149.38	134.83	131.11	138.59	126.57	171.12	131.51	166.23
Sweden (26)	186.30	−1.3	169.71	163.46	174.20	179.41	−0.4	2.47	188.73	170.36	165.65	175.10	180.21	204.12	146.60	221.55
Switzerland (58)	89.18	−1.0	81.24	78.25	83.40	85.87	+0.2	2.23	90.10	81.33	79.09	83.60	85.66	100.67	82.17	105.37
United Kingdom (239)	160.18	−0.9	145.92	140.52	149.76	145.92	+0.0	5.03	161.59	145.86	141.81	149.90	145.86	187.44	156.27	188.46
USA (525)	149.67	−0.1	136.52	131.49	140.14	149.67	−0.1	3.24	150.04	135.44	131.70	139.21	150.04	158.24	125.95	142.36
Europe (837)	131.38	−0.9	119.66	115.27	122.85	121.62	+0.0	3.91	132.53	119.63	116.32	122.96	121.82	151.62	125.50	150.97
Nordic (111)	179.89	−1.2	163.87	157.83	168.20	164.69	−0.5	1.95	182.06	164.34	159.80	168.91	165.46	200.81	155.55	208.06
Pacific Basin (718)	130.67	+0.6	119.22	114.83	122.67	115.30	+0.6	1.11	130.15	117.48	114.23	120.75	114.70	145.92	117.86	142.80
Euro – Pacific (1555)	131.40	+0.0	119.70	115.28	122.86	118.65	+0.3	2.22	131.42	118.62	115.34	121.92	118.29	147.86	121.29	146.51
North America (640)	149.10	−0.1	135.83	130.83	139.44	147.52	−0.1	3.24	149.27	134.73	131.02	138.51	147.69	157.04	125.91	141.83
Europe Ex. UK (598)	113.69	−0.9	103.56	99.76	106.32	107.36	+0.0	3.12	114.67	103.51	100.67	106.41	107.39	129.80	106.85	138.96
Pacific Ex. Japan (244)	138.26	+0.2	125.95	121.33	129.30	124.37	+0.1	4.68	138.01	124.57	121.15	128.05	124.24	145.66	111.40	137.25
World Ex. US (1746)	133.14	+0.0	121.28	116.82	124.49	119.78	+0.3	2.28	133.18	120.22	116.90	123.56	119.47	148.18	122.32	146.81
World Ex. UK (2032)	135.62	+0.0	123.54	119.00	126.82	127.47	+0.1	2.37	135.59	122.39	119.01	125.80	127.31	145.77	120.06	141.80
World Ex. So. Af. (2210)	137.20	−0.1	124.98	120.38	128.30	128.94	+0.1	2.62	137.28	123.92	120.50	127.37	128.77	148.86	122.92	143.80
World Ex. Japan (1797)	143.18	−0.4	130.41	125.62	133.88	137.38	−0.1	3.55	143.71	129.72	126.14	133.35	137.51	152.83	126.89	145.62
The World Index (2271)	137.79	−0.1	125.52	120.90	128.84	129.26	+0.1	2.63	137.87	124.45	121.02	127.92	129.10	149.01	123.28	143.98

Latest prices were unavailable for this edition.